FINANCIAL TIMES



Genetic engineering

Barnyard drug factories

Technology, Page 14



Glasgow

Great progress has been made

Survey, Pages 11-13





China warns of retaliation over US sanctions threat

China yesterday threatened vigorous retaliation if the US proceeded with sanctions on imports of some \$3bn worth of Chinese goods, signalling a further escalation of their long-running bilateral dispute over intellectual property rights. The US announced on Wednesday it would give China until May 15 to step up enforcement of a February 1995 agreement aimed at stamping out widespread piracy of US information and education products.
Page 18; GM shrugs off fears of US-China trade
wars, Page 6; Editorial Comment, Page 17

Arrest warrant issued for Dassault



A Belgian magistrate has issued an international arrest warrant for president of the Dassault aviation group Serge Dassault (left), after he refused to go to Belgium to face questioning over the payment of bribes to win a defence contract. The warrant follows a probe by Belgian investigators into the alleged

payments by Dassault and the Italian helicopter company Agusta to the Belgian Socialist party. Page 18; Warrant may ease merger, Page 2

Bulgaria's record interest rate: The Bulgarian National Bank yesterday raised its central interest rate to a record 108 per cent from 67 per cent in a bid to halt the steep decline in the value of the lev. the Bulgarian currency. Page 18

Shell shares jump: Shares in Royal Dutch/Shell jumped sharply on hopes that the Anglo-Dutch oil group would increase substantially its dividend payment later this year in the wake of a record first quarter profits. Shell abandons oil project off Vietnam, Page 6; Lex. Page 18; London stocks, Page 32

Compaq Computer, the world's largest personal computer manufacturer, has chosen advanced graphics technology from VideoLogic, a small UK company, for its next generation of home comput-

Go-ahead for German digital TV company: The German cartel office approved the formation of a digital television service company MMBG by a consortium of German broadcasters, Deutsche Telekom, the state-owned telecoms company, and Canal Plus, the French media group. Page 19

Strategy to end beef ban: The European Commission has outlined a mechanism which could lead to the phased removal of the ban on British beef and beef products. Page 9

Cofinec, a fast-growing central European packaging group founded in 1989 by Italian industrialist Carlo De Benedetti is expected shortly to announce plans to go public. Page 19

Ciller faces corruption probe: Turkish MPs yesterday voted to set up a second parliamentary committee to investigate corruption allegations against former prime minister Tansu Çiller. Page 3

Japan allays rate rise fears: The Japanese government moved to allay growing fears in financial markets of an early rise in short-term interest rates. Meanwhile, the Bank of Japan intervened heavily in domestic money markets to ease the

upward pressure on overnight lending rates. Page 5 Philippine stocks soar: The Philippine stock market soared to a 28-month high on news of strong profits growth and better than expected macroeconomic trends. Page 5; World stocks, Page 36

Red Cross halts mediation over hostag The International Committee of the Red Cross said it had abandoned efforts to obtain the release of 11 hostages, including four Britons and two Dutch citizens held by rebels in Indonesia.

Yeitsin unity hopes rise: President Boris Yeltsin's hopes of uniting "democratic" forces behind him in Russia's presidential election rose after Grigory Yavlinsky, a liberal rival, signalled a new readiness to compromise. Yeltsin drafts Lenin on to campaign team, Page 2

UK council 'homes-for-votes' scandal: The wealthy former Conservative leader of Westminster City Council in London, Dame Shirley Porter, will go to the High Court in an attempt to avoid having to repay up to £31.67m following investigations of an alleged homes-for-votes policy. Page 10

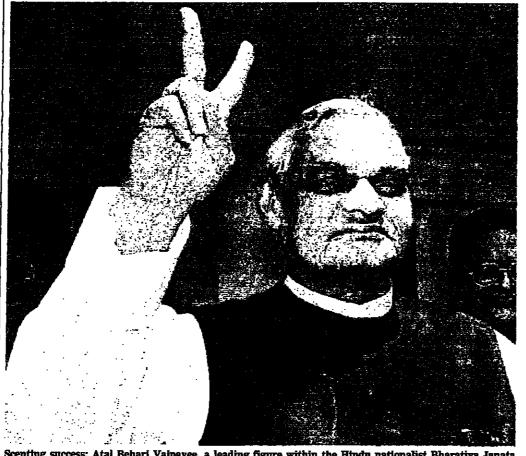
Aids protein identified: A protein that plays a key role in the attack of the Aids virus has been discovered by US scientists, ending a decade-long search. The protein, called fusin, must be present for the Aids virus to infect white blood cells.

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FRIDAY MAY 10 1996 Indian PM to resign after poll rebuff



Scenting success: Atal Behari Vajpayee, a leading figure within the Hindu nationalist Bharatiya Janata party, gives the victory sign in New Delhi after his party's triumphant electoral performance

Congress suffers worst election result as all main parties fail to win outright majority

By Mark Nicholson in New Delhi

Mr P.V. Narasimha Rao is to resign as India's prime minister today after voters handed his Congress party its worst election

Congress, which has been in power for all but four years since India's independence, emerged as only the third largest political group in the general election which ended on Tuesday.

Mr Rao, 74, presided over four years of substantial economic reforms; deregulating many business sectors and creating an urban boom. But political opponents complained that ordinary Indians were being left behind. India's state television said Mr Rao would step down after a final

The country's three main political groups yesterday began attempts to draw smaller parties into a coalition after the election left them short of a majority. Results and trends from 384 seats showed the Hindu nationalist Bharatiya Janata party would

emerge as the biggest group, but it might fall 100 seats shy of the required 272 MPs. Congress was headed for a lower tally of seats than its previous worst of 154 in 1977. Left- a government. But it is expected wing, social justice, caste-based and regional parties made unex-

pectedly strong showings.

Doordarshan, the state television channel, projected the BJP to win 175-185 seats when counting finishes late today, with Congress set for 130-140, more than 100 down on 1991. The Left-National Front alliance of Janata Dal and India's communist par-

ties was poised to win 140-150. A host of ex-Congress splinter groups, regional and caste parties will hold a balance of 80-90 seats

Left's bark worse than its bite Page 5

in the 545-seat parliament. "This mandate amounts to a

rejection of the Congress party," said Mr L.K. Advani, BJP president. "This also amounts to a mandate for BJP as it is the largest party.

But the performance of the religion-based BJP fell short of leaders' expectations. It suffered setbacks in several northern states and did not gain a great wave of Hindu support. Mr Pramod Mahajan, BJP general secretary, said that, as the biggest party, it had a "right and duty" to try to form to have difficulty, given the determination of most other parties to keep the BJP from power. The Bombay BSE-30 index fell 72.95 points to 3,694 reflecting investors' nervousness about likely political uncertainty. The rupee also slipped Rs0.30 against the dollar yesterday to Rs35.10 before rallying to close at

Rs34.66 Leaders from the three main political groups last night suggested they would attempt to form a coalition by attracting the support of half a dozen smaller regional parties, each set to hold between five and 30 seats.

Mr V.N. Gadgil, Congress spokesman, said a "very large" section of his party wished to sit in the opposition, but two Congress ministers said they were open" to an anti-BJP coalition.

The result is an historic rebuff for Congress, which failed to ignite voters with its campaign theme of "stability".

The arithmetic of building a

coalition will prove complex since, even with the support of all of India's main regional parties, neither Congress, the BJP nor the Janata Dal-Left Front grouping could secure a majority.

Fall in computer chip prices hits shares

By Louise Kehoe in San Francisco and John Burton

A sudden drop in "spot" prices for computer memory chips has hit share prices of semiconductor manufacturers and prompted accusations that Asian producers are slashing prices to maintain market share

In South Korea, the share price of Samsung Electronics, the world's biggest producer of D-Rams, fell sharply yesterday.

The shares fell by their daily trading limit of won5,900 to close at won92,600 on fears that a glut of memory chips has undermined prices. D-Ram chips are data storage devices used in all types of

Spot prices - quoted for immediate delivery of chips - have fallen by almost \$1 over the past two weeks to about \$3.75 per chip in the US and even lower in Asia. according to Dataquest, the US market research group.

Contract prices, negotiated by large users of memory chips such as the leading US personal computer manufacturers, have remained relatively firm for the past month, at about \$7 for 4 megabit D-Rams, according to Mr Mark Giudici, a Dataquest analyst. However, the large spread is putting pressure on contract prices, which are now expected to

fall to about \$6.50. Last year, worldwide D-Ram sales were about \$25bn, or about a quarter of total semiconductor

Since the fourth quarter of 1995 contract prices for 4 megabit D-Rams have fallen by more than 40 per cent. Similarly, prices for 16 megabit D-Rams, a new generation of chips that can store four times as much data, have fallen by nearly 50 per cent.

Taiwanese chipmakers have accused Korean companies of cutting prices to maintain market share and bolster earnings through higher sales volumes. However. Samsung yesterday denied it was reducing prices. US manufacturers are watch-

ing prices closely, with a view to filing trade complaints if import prices fall below the manufacturing costs of foreign competitors. according to industry officials. Large buyers of D-Rams are now routinely renegotiating

Continued on Page 18

De Klerk quits South African government groups the largest companies, said yesterday it was "unaccept-Nationalist leader's departure leaves ANC

South Africa's National party, headed by former president Mr F.W. de Klerk, yesterday abandoned a power-sharing agree-ment with the African National Congress and quit the two-yearold government of national unity.
The move will leave the ANC in control of almost all cabinet posts and bring a more combative edge to South African poli-

tics, as the National party promises to be a vigorous opposition. The rand, which continued Wednesday's sharp fall, steadied after the announcement to close in Johannesburg at R4.51 to the dollar, down R0.03 on the day. Mr Trevor Manuel, finance minister, said he believed foreign exchange markets had already discounted the National party's decision. He said he was encouraged by the subsequent slight strengthening of the currency.

Before the National party statement the rand had touched R4.55 against the dollar, close to its all-time low of R4.57. Local economists expect it to remain volatile until there is a clearer indication

of government policy. The weakening of the rand may force the Reserve Bank to consider another rise in official interest rates just two weeks after it increased the bank rate by one percentage point to 16 per cent. Fears of another rise helped fuel falls on the Johannesburg stock exchange where the overall index finished more than 2 per cent lower at 6,692.

The South African Chamber of Business, the largest of the business lobby groups, said it would have preferred the national unity

in almost complete control of cabinet posts government to continue until responsibility to contribute to 1999 as planned. But it said the move was a "further step in the

> multi-party democracy". President Nelson Mandela said the withdrawal had not come as

development of a normal

De Klerk's uncertain trek .Page 17 .Page 18 Page 27

a surprise, and was recognition that the country's young democracy had come of age. He said there would be no change in government policy. He thanked Mr de Klerk and his party for their efforts during the past two years and said they had a "continuing

the process of eradicating the policy of apartheid they created". Mr de Klerk said his party, which had ruled for more than four decades before the 1994 general election, had decided to leave the government on June 30 because its influence in cabinet was waning. The ANC was "acting more and more as if they no longer need multi-party government." he said.

Although the Nationalists had voted for the new constitution on Wednesday, fundamental differences remained with the ANC and its allies on several issues, including trade union rights, the death penalty, abortion and the protection of private property. Business South Africa, which

able" that the new constitution failed to balance the rights and obligations of workers and employers. It was studying what action it might take to restore employers' collective bargaining

Mr de Klerk's position as deputy president will not be filled. and Mr Mandela said it was too early to discuss what would happen to the six other ministerial posts held by National party members. Most are likely to go to the ANC, although Mr Mandela could ask other smaller parties to participate in government

The only remaining coalition partner is the Inkatha Freedom party, headed by Chief Mangosuthu Buthelezi, minister of home affairs, who has several times threatened to leave the government and last year walked out of negotiations on the new

Nokia shares drop as profits collapse in first quarter

The volatility of the booming mobile telephone industry was starkly illustrated yesterday when Nokia, one of the world's biggest suppliers, reported a collapse in first quarter profits, prompting a six per cent fall in its share price.
The Finnish group said pre-tax

profits fell from FM1.35bn (\$284m) in the first quarter of last year to FM399m, prompted by a surprise reverse into loss by its mobile phone handset division. Until recently it had been the engine of the group's spectacular growth.

Nokia, the world's second largest handset supplier after Moto-rola of the US, had warned for some time that profits would be significantly lower in the first half of this year. The first quarter result was well below the most pessimistic market forecasts and Nokia shares lurched downwards on the news from Helsinki.

The company's most-traded A share, which closed on Wednesday at FM178, tumbled to a low point of FM141 before recovering to close at FM167 as investors absorbed promises from Mr Jorma Ollila, group chief executive, of a rebound in profits in the second half of the year.

The result also dragged down shares in Ericsson, Nokia's Swedish rival and the world's biggest overall mobile equipment supplier. Although Ericsson had the previous day reported a 28 per cent rise in first quarter profits ironically driven by big growth in its mobile operations - its R share fell SKr3.50 to close at SKr140.50 in Stockholm.

Nokia said sales of its mobile handsets rose only 10 per cent from FM3.5bn to FM3.9bn due to flatter growth in the first two months of the year in the US and in Europe. The rate of growth was far below rates achieved over the past two years. Also, margin: were squeezed by price cuts of up to 25 per cent, and the company said the division made a small loss. No figure was given.

Mr Ollila added that problems

in Nokia's mobile phone produc tion were responsible for 50 per cent of the earnings reverse. "In a business where you have

price erosion like we have had you need significant volume increases as well as new product flow and a low cost structure. We have not been able to improve the latter as well as in the past,"

Continued on Page 18 Lex, Page 18 Nordic numbers game, Page 20

Newcastle and Sunderland scout for new players. Siemens has already signed.

Join the professionals who have already chosen the North East for premier results in business. Nissan, Black & Decker, Samsung and now Siemens chose the North East for its unbeatable infrastructure, excellent communications and skilled workforce. League-leaders Tyne and Wear Development Corporation can deliver the support your business needs. • Office / factory rents from £4.50 sq ft . No business rates until the year 2006 . Grants and financial assistance available. It all starts with this coupon. Please return it to Tyne and Wear Development Corporation, Scotswood House, Newcastle Business Park, Newcastle upon Tyne NE4 TYL, or call: 0800 838888; fax: 0191 273 2005.

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HARDANI - LEERS - PARIS - FRANKFRIRT - STOCKHALM - MADRID - MEW YORK - LOS ARGELES - TOKYO - ROME KOMÉ

By David Buchen in Paris

Italian

senators

vote for

conflict

the new legislature

that as the opposition they should cut no deals with the governing coalition. This left

Olive Tree with no option but

to propose its own candidates. Given the centre-left's major-

ity in both houses, the election of the Olive Tree's candidates

In the case of the senate, this was possible on the sec-

ond round of voting where a

simple majority was required.

But in the chamber, which required a two-thirds majority

on the first three rounds of

voting, a fourth vote was nec-

essary. Last night it looked as

though this final round in the chamber would be staged

Mr Nicola Mancino, a former

Christian Democrat interior

minister and veteran politi-

cian, was elected by 178 votes,

well clear of the 163 majority

required. The Olive Tree's can-

didate for the chamber was Mr

Luciano Violante, deputy

speaker in the previous parlia-

ment, a former chairman of

the anti-mafia commission and

one of the most important fig-ures in the Party of the Demo-cratic Left (PDS). The alli-ance's votes added to those of

Reconstructed Communism, formed from the hard-core

communists, are enough to ensure Mr Violante's success.

Confrontation between the

two alliances is likely to be

repeated in the coming days

over the chairmanship of the

various parliamentary com-

mittees. The hardliners in the

Berlusconi camp claim the

opposition must work to estab-

lish the kind of bi-polar poli-

tics in Britain, where the win-

ning party takes the full reins

However, moderates in the

right-wing alliance maintain that it lacked the unity needed

for this kind of opposition

role. By seeking confrontation, they said, the various groups in the alliance risked serious

Of the 630 deputies elected,

350 were new while 168 of the

315 senators were first timers.

Lawyers predominated in both

houses, accounting for 14.5 per cent of the deputies and 15.7

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then became inevitable.

By Robert Graham in Rome

and MPs

The international arrest warrant issued by Belgium to try to force Mr Serge Dessault to answer questions before a Liège judge investigating an alleged defence contract bribe threatens to jeopardise the position of the head of the

famous French maker of military jets.

It raises the possibility that a Belgian judge may, indirectly, achieve something successive French ministers have failed to achieve, and which President Jacques Chirac is struggling to achieve - the merger of Dassault Aviation with state-owned Aérospatiale to give France a single aircraft manufacturer.

The existence of the international warrant effectively confines Mr Dassault to France, which does not extradite its own citizens. While the warrant hangs over Mr Dassault's head

there is always the risk that third countries might honour it. So Mr Dassault will have to rely on others in his 9,200-strong company to promote sales of his Mirages and of the new Rafale which is being actively touted to Norway, the United Arab Emirates and South Korea.

It also removes any foreign travel pretext Mr Dassault may have been using to delay his supposed merger talks with Aérospatiale. In mid-February the government amounced that Das-sault and Aérospatiale would set up a "pilot committee" to come up with proposals by the end of June for the creation of a joint company over the following two years. The plan was endorsed on television by Mr Chirac.

So far the merger is going nowhere. The "pilot committee" has never met. Appealing to family ties and balance sheet logic, Mr Dassault has apparently spent nearly three months trying to

drastically altering it to Dassault's advantage. No one, even inside Dassault, believes that the president can be forced to back down. But appeals not to destroy "the house of Dassault" put Mr Chirac at an emotional disadvantage; as a child he sat on the knee of Serge's father,

Marcel Dassault, the legendary founder. In balance sheet terms Mr Dassault does not see why his smaller, profitable group should be swallowed by loss-making Aérospatiale which is five times its size. In announcing his 1995 results last month, Mr Dassault took a sly pleasure in stressing his group's FFr9bn (\$1.75bn) stock of cash and orders running 20 per cent ahead of current sales. To underline his family's intention to stay at the controls, he put his son, Olivier, back on the Dassault board. In his negotiations with the Elysée, Mr Dassault is said to

talk the president out of the merger, or at least drastically altering it to Dassault's advantage. have demanded deep cuts in Aérospatiale's workforce – including the departure of its current head, Mr Louis Gallots - as well as a high price for his own 49.9 per cent share in Dassault.

In theory, the French state might be able to force his hand. In return for cancelling some loans to Dassault, it took 20 per cent of Dassault in 1977 with some double voting rights attached. It gained more in 1981, when the late Marcel Dassault simply gave an astonished Socialist government another 26 per cent to head off outright nationalisation.

Exercise of double votes would give the state control and the ability to override Mr Dassault, who has contested the legality of these votes and said he would go to court, if necessary, to prove they were contrary to French corporate law. But he may now feel that the Belgian legal system is enough to wrangle with.

EUROPEAN NEWS DIGEST

Dutch growth forecast falls

Dutch gross domestic product this year is likely to be 1.8 per cent rather than 2.5 per cent, according to the Organisation for Economic Co-operation and Development. The organisation blamed the downgrading of its original forecast on weakness in the neighbouring German and French economies, and a simultaneous decline in domestic housing starts.

The organisation believes growth should recover to rise by 2.4 per cent next year, thanks to an expected upturn in exports later this year. But this revised figure is still lower than the 2.9 per cent predicted last year.

The OECD based the revised figures for 1997 on the assumption that lower interest rates will encourage consumption and investment, and fuel an overall revival in European economic activity. It expects average Dutch interest rates for this year and next to be significantly below those that prevailed last year, while inflation should hold steady at 2 per cent. The budget deficit is expected to fall below 3 per cent of GDP in 1997. The Dutch debt/GDP ratio remains close to 80 David Brown, Amsterdam

German monorail approved

Germany's parliament yesterday cleared the way for a Germany's parliament yesterday cleared the way for a high-speed train propelled by electromagnetic levitation, linking Germany's biggest cities, Berlin and Hamburg. A mestige technology project for German industry, the bullet-shaped train is supposed to be in service by 2005 and cover the 297km stretch in under an hour, compared with three hours by conventional train. The government expects the train to carry at least 11m commuters a year. A train protection has reached a ten speed of 450kmh.

prototype has reached a top speed of 430kph. Under development for 20 years, the system uses the repelling force of magnetic fields generated by electric motors to lift the train about 15cm above the rail and propel it

Critics say the monorail will cost more than the government's estimate of DM5.6bn (\$3.7bn) and is a waste of money. Green party politician Mr Rainer Steenblock warned that his party would continue its fight against the project during local approval procedures in Schleswig-Holstein, a state AP. Born governed by Greens and Social Democrats.

Finnish deal averts strike

Finland's employers appear to be the main losers in a last-minute compromise over unemployment benefits struck yesterday between the Social Democratic-led coalition government and the main trade unions, averting the threat of a general strike called for today. Indefinite strike action against exporting companies set for next week was also called

The unions were opposing cuts in unemployment benefit included in the government's tough FM20bn (\$4bn) programme of spending cuts, intended to ensure that Finland qualifies for European monetary union. The deal includes concessions on training schemes for young and elderly among Finland's 17 per cent unemployed. It also increases the ratio of the FM12bn annual jobless benefit bill paid by employers from 32 per cent to 47 per cent, drawing criticism from the employers'

However, the agreement includes no revision of the government's budget plans, thus preserving the unity of the coalition, which includes the Conservative, Green and Left parties, as well as the SDP. Hugh Carnegy, Stockholm

East German gloom deepens

The business climate in east Germany declined notably in the first quarter of the year, according to the Institute of the German Economy. A survey of the turnover and profit expectations for 1996 of 500 companies produced the worst result since 1993. The construction industry was particularly pessimistic, the institute said. Companies in the service and investment goods sectors were more positive.

There seems little chance of improvement in unemployment as the number of east German companies planning redundancies rose to 64 per cent from 40 per cent last autumn. This is partly due to the generally poor economic situation in the electrical, chemical and energy distribution industries. Seen on a regional basis, Berlin was the most pessimistic. Nearly 70 per cent of companies in the city expect turnover and profits to drop this year. Saxony, where there was a small increase in the number of companies expecting better results, was the most positive. The survey shows export expectations have generally remained robust. Frederick Stüdemann, Berlin

Serbs protest over unpaid wages

More than 10,000 workers at the Serbian electronics group EI-Nis went on strike for a second day yesterday to press demands for the payment of overdue wages and a stake in the company. "We will continue the strike until our demands are met," said Mr Velja Pavlovic, of the strikers' committee. "Employees of some of the 42 companies within the EI-Nis group have not received their salaries from December last year," he added.

Workers are not only insisting that management pay wages unpaid since last year, they also want the state-owned group to change its ownership structure and give them a stake of at least 51 per cent. They are urging the republican government of Serbia to place import restrictions on components produced by El-Nis to protect its flagging production.

On Wednesday several thousand strikers were reported to

have gathered in the centre of Nis, an industrial town about 200km south of Belgrade. Police prevented them from forcing their way into the town assembly hall.

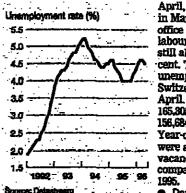
Athens acts to curb pollution

Working hours are to be staggered in Greece this summer in an effort to reduce air pollution in the capital, Athens. Announcing the policy yesterday, the environment ministry said that a partial ban on cars in the city centre would be extended to June and July. Athens has dangerously high air pollution levels during the summer, a report has found.

Under the government's plan, public services, supermarkets and grocery stores will open at 7am, banks and insurance companies at 7.45; all other stores will be allowed to open one hour later. Most shops and services now open around 8am. with some opening a couple of hours later.

ECONOMIC WATCH

Swiss jobless rate edges down Switzerland's unemployment



April, down from 4.6 per cent in March, the Swiss federal office of trade, industry and labour said. But the rate was still above April 1995's 4.3 per cent. The number of unemployed persons in Switzerland fell to 164,151 in April. That compares with 165,305 jobless in March and 156,684 a year ago. Year-on-year job vacancies were also down, with 6,353 vacancies in April 1996

rate stood at 4.5 per cent in

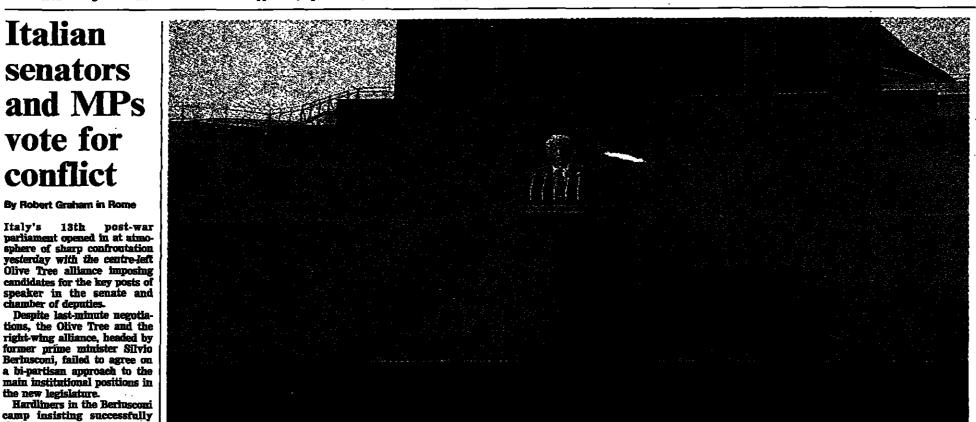
compared with 6,781 in April 1982 93 94 95 95 1995. Agencies, Geneva

Sources Detailment

Danish industrial soles fell I per cent while order books were 3 per cent down in current

prices in January-March 1996 compared with the same 1995 period, according to government figures.

• Poland's trade deficit in the first two months of 1996 amounted to \$1.45bn, compared with a \$574m deficit during the corresponding period of 1995.



Yeltsin delivering a second world war victory day speech yesterday from Lenin's mansoleum. He was later joined by senior generals to watch a military parade

YELTSIN DRAFTS LENIN ON TO CAMPAIGN TEAM

By Chrystia Freeland in Moscow

Russian President Boris Yeltsin yesterday embraced the symbols and ceremonies of the Soviet era as he stepped up his campaign for re-election in the June 16 ballot.

The Kremlin leader commemorated May 9, when Russians celebrate the anniversary of the allied victory in the second world war, in a style borrowed from the Soviet Union. The red flag, but with a star instead of the hammer and sickle, flew in Red Square and Mr Yeltsin, flanked by senior government officials, delivered a speech from a marble platform above the Lenin

mausoleum. Mr Yeltsin, whose speech was followed by a military parade, called special attention to the recently re-introduced red flag, which he described as "a living link between the generations, which is now represented by our symbols".

The president, who is reputed to possess an instinctive flair for politics, raised the emotional stakes even higher yesterday afternoon when he flew to the southern Russian city of Volgograd, which, under its old name of Statingrad, was the site of one of the Soviet Union's most important battles.

Although Volgograd today is a staunchly red town, which heavily backed the Communist party in recent municipal elections, Mr Yeltsin made a passionate plea for the city's votes,

the site of such an important Red Army triumph and admitting that he "would have trouble holding back the tears" at a planned commemoration.

But the president's effort to beat the Communists at their own game was countered by a high-spirited march of up to 50,000 Communist supporters through the streets of central Moscow. Mr Gennady Zyuganov, the

Communist leader, told his supporters: The Communists are facing a difficult victory, even more difficult than the 1945 victory over the Nazis. Then, the nation was imited, society was not divided into the poor and the rich, into new Russians and old Russians." After rising steadily in opinion polls,

saying he felt a moral obligation to visit Mr Yeltsin's ratings have levelled off and most polls are showing him slightly behind his Communist rival. One recent poll put the president as many as 20 percentage points behind.

There is increasing nervousness among Yeltsin supporters and other Russian democrats. One senior Yeltsin aide has publicly called for the elections to be postponed and Mr Grigory Yavlinsky, the leading liberal outside the government, said this week he would be ready to form a coalition if Mr Yeltsin met several tough conditions.

But Russian analysts said Mr Yeltsin was unlikely to be willing or able to meet Mr Yavlinsky's terms, which include an end to the war in Chechnya

Decree to pass

Mr Jean-Luc Dehaene, the Belgian prime minister, has asked parliament for special powers to legislate by decree on the 1997 budget after last week's collapse of a pact between the government, employers and unions.

Special powers to rule by decree, although permitted under the Belgian constitution, have rarely been used except in times of crisis.

The jobs pact, agreed with union and employers' leaders on April 18, included a mechanism to limit wage rises in Belgium to no more than the average level in neighbouring France, Germany, and the Netherlands. The pact disinte-grated last week after one of the two main unions, the FGTB socialist union, refused to endorse it because it contained no guarantees on job creation.

That left Mr Dehaene facing a potentially bruising budget round this year to ensure that Belgium reduced its budget deficit to 3 per cent of GDP in 1997 - one of the criteria for inclusion in a single European

Belgium has made inclusion denounced it.

in the first group of countries to adopt the Euro a central policy, and has adopted a series of austerity measures to reduce the deficit, including cuts in social spending and a threeyear wage freeze which ends this year. It had hoped to strengthen its chances of admission to the final stage of monetary union by meeting the 3 per cent target this year - a year early - before slowing economic growth cast doubt on its chances of success.

Last weekend the Belgian cabinet agreed a further BFr25bn (\$790m) of spending cuts for the year, aimed at keeping it on target for the 3 per cent figure.

But Mr Dehaene told parliament yesterday next year's budget would be "one of the most important in Belgium's history". The government was, therefore, proposing a draft framework law which would allow it to take measures in all areas of public finance to ensure it reached the 3 per cent target next year. The éraft law will be debated

in parliament today before a vote on Monday, but received an angry response yesterday from opposition members who New government prolongs doubts on euro timetable

Belgian budget Spanish markets hit by mixed hints on Emu

By Tom Burns in Madrid

Spain's new centre-right government sowed confusion in the markets yesterday with mixed signals over the country's approach to economic and monetary union (Emu) and the start-up of the single European currency, the euro. After negative market reac-tion to a strong hint that it favoured postponing Emu in order to allow more EU members - notably Spain itself more time to qualify as foun-ding members, the government insisted that it was committed to meeting the goals on

The economy and finance minister, Mr Rodrigo Rato, seemed to endorse a suggestion earlier this week by the foreign minister, Mr Abel Matutes, that the clocks should be "stopped" on the Emu timetable. Mr Matutes' remarks "were

realistic from the point of view of Spain's interests and they certainly represent the view of the government", Mr Rato said

The Spanish bond yield rose 10 basis points, the price of futures was down 50 cents and the peseta fell against the D-Mark. "People were driven by the logic that the government was trying to wriggle out of taking tough measures." said a London manner. sures," said a London currency

In London, Mr Yves-Thibault de Silguy, European monetary affairs commissioner, brushed off suggestions that a single currency could be delayed. "The single currency is well on track - Europe will have the euro on January I 1999. The political commitment of member states in unflinch-

ing."
Mr Rato's ministry later issued a statement reiterating "its commitment to meeting the criteria and timescale of convergence for monetary union". Officials stressed that the Emu strategy would be underlined by the cabinet today when it would seek agreement on spending cuts totalling at least Pta200bn (\$1.6bn).

Markets reacted quickly. the ministers' remarks omy.

revealed a marked shift from the uncompromising support for the introduction of the euro in 1999 that had characterised the previous Socialist government. Others suggested that inexperience could be a factor.

When Mr Carlos Westendorp, the former foreign minister, spoke in January of a "credibility crisis" surround-ing the euro and called for its delay, Mr Pedro Solbes, the then economy minister, immediately said Mr Westendorp did not "in any way represent the views of the government". But the ruling Popular party led by Mr José Marí Aznar includes some Eurosceptics and appears to be far less dogmatic about Emu timetables.

This is in part because the new team is much less optimistic about the domestic economy's readiness for the euro - Spain currently meets none of Emu's convergence criteria – and in part because some of the government's policy advisers believe excessive zeal to be a founding euro Some analysts believed that member could harm the econ-

Brokers vie for Hungarian gas shares

By Virginia Marsh in Budapest

engaged in fierce competition to secure local governments' shares in Hungary's five regional gas distribution companies even though APV, the state privatisa-tion agency, has yet to decide on the size of the stakes it will hand out to individual councils.

The powerful national savings bank, OTP, unveiled a plan on Monday to buy shares from about 1,100 councils together due to receive 40 per cent stakes in the five GDCs.

Schroders: the UK investment bank, talks with other councils due to receive some of the gas companies listed. and Credit Anstalt Securities, one of the shares in the four other GDCs. Hungarian and foreign brokers are leading brokers on the local market, is offering the cash-strapped councils a brokers say they have been quietly minimum upfront payment as well as a 50 per cent share of any extra proceeds if it manages to sell the stakes for more.

OTP's offer prompted Epic, a Viennabased financial advisory company which runs one of the leading Czech investment funds, to announce it had already signed up most of the local councils that are due to receive shares in Tigaz, the largest of the regional GDCs. It says it will soon come up with world's smallest but best-performing

In the meantime, several small local acquiring options on other councils'

The competition is one of the first of its kind in Hungary where, unlike in the Czech Republic, most former state companies have been sold to strategic partners. However, the socialist-led government which took power in 1994 has sought to sell more companies through the Budapest stock exchange, one of the The bank, which has teamed up with a rival plan to OTP's and that it is in . markets this year, and is keen to see . minority stakes, .

It is hoped APV will hand out the stakes by June. However, some councils are threatening to sue the agency if they do not receive stakes they consider to be sufficient compensation for past investment in their local GDC.

Western utilities including Italgas and Gaz de France paid a total of \$460m for 50 per cent plus one stake in the five

companies last December. OTP's plans are centred around listing at least the three largest GDCs. Other brokers say this would be the best way to maximise the value of the

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Ciller faces new corruption inquiry

By John Barham in Istanbul

Turkish MPs yesterday voted overwhelmingly to set up a second parliamentary committee to investigate corruption allegations against Mrs Tansu Ciller, the former prime minister. Their action will further undermine the country's fractious conservative coalition government in which her True Path party shares power with the Motherland party of Mr Mesut Yilmaz, the prime minis-

MPs voted 376-141 against Mrs Ciller, with nearly all Motherland members supporting the opposition, led by the Islamist Refah party. Motherland MPs make no

unseat Mrs Ciller, in the hope that Mr Yilmaz will emerge as the sole leader of a unified centre-right.

Mrs Ciller said: "This is a judges." political game. History will accused Refah's leaders of cor-

A Turkish court yesterday acquitted nine members of the country's Human Rights Foundation and one other defendant, accused of "insulting the constitution and laws of Turkey", writes John Barham, The foundation was indicted last year following its publication of A Present for Emil Galip Sandalci, a collection of essays by Turkish intellectuals on

democracy and human rights. Mr Sandalci was a founding member of the foundation. Human rights campaigners welcomed the acquittal, but warned that Turkey's human rights record remained poor. Last year, in

reality is that there is no political will for democratisation under this government." secret of their intention to judge the players in this game. If the target is to investigate

corruption, then let's lift the immunity of all MPs and open the way for independent judges." She has repeatedly

ratify a customs union between Turkey and the European Union.
A senior foundation official said: "There are more than 6,000 trials under way over freedom of expression [of which] more than 2,500 are under article 8 [the anti-terrorism law]. The

response to pressure from the European

parliament, Ankara amended the constitution and changed the anti-terrorism law which is

issue. Strasbourg had threatened to refuse to

frequently used to stifle debate on the Kurdish

ruption and even drug smuggling.
Refah has put forward a series of motions in parliament to set up committees to investigate allegations against Mrs Çiller. Last month parliament investigate claims that she interfered in tenders by the state-owned power company

greed to form a committee to

Relah now plans a third com-mittee to examine the source of Mrs Cilier's personal fortune. Each committee must report back within four months. If parliament accepts their findings, it could send her for trial.

Relations between the two party leaders, while never good are now said to be almost Mr Yilmaz said this week

that, if she is facing prosecution, Mrs Ciller should not take over as prime minister for two years in January, as required

Co-operation between the parties has also practically ceased, paralysing governmen decision-making, even though both sides share the same free market, pro-western and secular values.

As a result, business leaders see little chance that Turkey's 80 per cent annual inflation and heavy government overspending are likely to be tackled by this government. Mr Erol Sabanci, managing director of Akbank, Turkey's bigst private bank, said: "The business community does not have confidence on how long this government will be in power or how active it will be

seems unlikely: at best, the

loose co-operation that now

exists between the EU's justice

and interior ministries can be

attitudes to co-operation in home affairs, there is only one

With such a wide range of

upgraded.

More managers of Polish funds threaten to sue

By Christopher Boblaski

Regent Pacific, a Hong Kong based fund manager, and Yamaichi of Japan yesterday threatened to sue one of Poland's national investment funds which they agreed to manage last year. This is the latest episode in a dispute involving foreign participation in the country's mass privatisation programme. Equity in around 500 state-

owned companies has been handed to 15 national investment funds, and management companies formed of local interests with foreign partners were taken on last summer.

The fund managers' task is to enhance the value of the funds over 10 years. Ownership certificates in the funds, which will in time be listed on the Warsaw bourse, have been offered to the population at a nominal 20 zloty (\$7.50) fee. More than 12m Poles have

taken up the offer so far. Last month, two US fund managers, Wasserstein Perella and New England Investment, were dismissed by the state-

appointed supervisory board of Fund 11 on grounds of negligence, a charge the firms intend to challenge in the international courts.

Yesterday, Sir John Mellon chairman of Regent Pacific Corporate Finance, said Regent Pacific Special Projects (RPSP). which is managing Fund 13 was considering going to court over the 60 days' notice of dis-missal given by the supervisory board. The notice period expires on June 4.

Ms Ewa Freyberg, deputy privatisation minister responsible for the privatisation programme, yesterday said in evi-dence to a parliamentary inquiry that such conflicts should be considered "normal" in such a complex scheme.

Mr Marek Bryx, head of Fund 13's supervisory board claimed that RPSP had failed to live up to its original promises and was not producing results for its \$3.1m annual fee. RPSP has offered to put its remuneration on a performance-linked basis in exchange for having the notice period withdrawn and control

'Flexibility' may lead to a multi-speed Europe

By Bruce Clark in Brussels

Six weeks into the arcane debate over the European Union's future, known to initiates as the intergovernmental conference, the Italian presidency says it can detect a wisp of white smoke.

One of the most "promising areas" of discussion, it says, is the principle known in Eurojargon as flexibility: the idea that wherever they feel able to do so, the keenest members of the European family should race ahead of the laggards.

In the past, it was part of the European Community's dogma that there could be no two-speed Europe. But if the most recent discussions at the IGC bear fruit, there could be many speeds in many sectors.

Promising, in this context, is a relative term. What the Italians mean is that flexibility is not one of those issues in EU reform where positions look so incompatible that only a grand political bargain could close

respect to economic and mone-

tary union: on the most optimistic estimates, less than half the EU's members will be willing or able to join Emu in 1999. And if the enthusiasts get their way, the concept of a multi-speed Europe could be extended to many other fields: foreign policy, defence, legal affairs, the environment, sci-

entific co-operation and so on. The banner of "general flexi-bility" was raised last December by French President Jacques Chirac and Germany's Chancellor Helmut Kohl, in a signal that that they would not allow the EU's doubters to hold up the integration pro-

Partly at Britain's insistence, the EU leaders who launched the IGC in Turin in March laid down some strict terms for any discussion of the issue: it should not compromise the "institutional framework" of the Union, or distort competition.

The Italians are also stress-The principle of flexibility is ing the need to make it easy

already well established with for members to move from the tion of social policies from slow to the fast lane in any policy area.

Britsin is also arguing that deals under which some mem-bers forge ahead should be agreed by all, in detail as well as in principle; and it remains wary of being forced to pay for policies in which it does not

London already resents having to pay for the administra-

which it has opted out, and it rejects the French view - reaf-firmed at this week's 27-nation meeting in Birmingham - that European military missions should be financed by the EU

The reference in Turin to a "single institutional framework" reflects the fear that a wild proliferation of ad-hoc arrangements between vary-

as a whole.

ing numbers of states will lead sovereignty in this area, that to a collapse of the EU.

One such arrangement already exists. The Schengen agreement on visa-free travel has been ratified by seven EU members - but the Union's institutions are wholly uninvolved. Germany wants immibecome part of the hard core of EU business. Given the sensitivity of Britain to giving up

way the issue can be finessed without compromising the future of the Union - through the principle of flexibility.

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Banks urged to upgrade systems ahead of Emu

By Paul Taylor

Market forces, new regulations and the approach of European monetary union have created a new phase in the consolidation of Europe's banking industry, Mr Howard Davies, deputy governor of the Bank of England,

said yesterday. Mr Davies said previous attempts at creating pan-European retail banking groups had been "by no means an unquali-

fied success".
"A number of large banking groups, the British among them, have withdrawn from retail services in other countries, their tails between their legs," he said.

But a recent spate of crossborder acquisitions of investment banks might be "the tip of a larger iceberg", as banks took advantage of new Euro-pean directives to branch into other countries.

Mr Davies, who was speaking at a meeting of European bankers in Annecy, France, organised by ICL, the UK-based systems integration and computer services group, emphasised that UK banks, particularly those involved in the wholesale banking business, needed to be gearing up now for the changes associated with

A straw poli of 65 conference delegates revealed that two thirds had not even started to consider the technological

only a few had specified systems or begun system development.

"I am not surprised about the relatively small numbers which have specified or are developing systems at this stage," he said. "I wouldn't expect retail banks to have got into these areas, but I would expect anyone with wholesale business to be thinking pretty hard about getting into putting plans in place."

The deputy governor acknowledged that some UK banks might have weighed up the various Emu probabilities and decided to delay Emu-related investment decisions until after the general election, which is due by early next

He said Emu-related system changes should be "essentially straightforward", particularly for wholesale banks already used to working with multicurrency systems.

However, he acknowledged that retail banks within the Euro trading area would face more difficult problems during the transition period, particu-larly since the changes required to computer software could coincide with changes made necessary by the so-called millenium problem many older computer systems run software which cannot cope with the change to the year 2000.

Norway offshore oil strike over

Norwegian offshore oil workers called off their six-day stoppage yesterday as strikers began to withdraw their support, Reuter reports from Oslo. The Norwegian Federation of Oil Workers said its members at Norsk Hydro, British Petroleum and Statoil had said they no longer wanted to support the action.

The strike began last Saturday in support of a wage claim by 400 service workers, who were already on strike but whose

action had not halted production. The federation said it would decide later whether to call off the service workers' strike.

The union's leader, Mr Petter Bonde, said: "It seems that people in the operating companies have forgotten time-honoured solidarity and support. People are more interested in chatting with management than fighting for the working man." Norsk Hydro said the 150,000 barrels per day Oseberg C

platform would resume operations later yesterday. "It will take us a few hours to be in full production again." Statoll said between 400 and 450 workers, including strikers. had been laid off because of the walkout but thought production

"would be back in full swing on Saturday". Strike-hit Statoil platforms included Statiford B and C, and nearby satellite fields Statiford East and North, whose output iotals 510,000 b/d. Production was also at a standstill at the Gullfaks A and B installations, accounting for 280,000 b/d. Other fields affected by the strike were British Petroleum's

Ula and Elf's Heimdal.

http://www.british-airways.com

De Klerk embarks on uncertain trek

Michael Holman on the uncharted political landscape facing South Africa's National party as it quits the government of national unity

was feeling the strain of South Africa's most serious crisis since he took office two years ago, he was not showing it yesterday.
As his coalition government

was about to collapse, the already shellshocked rand was still falling and the political landscape of South Africa was being redrawn. But the 76-yearold leader of the African National Congress seemed

He was confident, he told an early morning press breakfast, in Mr Trevor Manuel his recently appointed finance minister. And if he regretted the impending departure from the cabinet of Mr F W de Klerk, his deputy president and for-mer leader of white South Africa, he gave no indication that he would try to change his

Yet if Mr de Klerk had

June 23 1992:

May 10

the National party have played in South Africa's successful dent opposition". transition from apartheid to democracy, he could hardly

have done it more effectively. On Wednesday, the day most of the country was celebrating agreement on a new constitution, just a couple of sentences by Mr de Klerk sent the rand

The National party's membership of the government of national unity was under consideration, he said.

Within minutes the rand was falling, reflecting the markets' alarm at the prospect that he and eight ministerial colleagues would pull out of the government. It has held together as a fragile and sometimes fractions government of national unity ever since the ANC's victory in the 1994 elec-

Yesterday Mr de Klerk confirmed his withdrawal, declar-FROM DIVISION TO UNITY AND BACK

President F Wide Klark Mistibe, but on proceeded organisations; locketing the ANC. the South Attion Communist party and the Pan Attionaid Congress.

The CODESA regolating forms, in the first of its guisser commune for the first time.

Mr. de Klerk whe a clear vote of confidence in a whites only referendant on his

tives tropp 26 South African political parties and organisations

CODESA It talk to resolve the deadlock over the percentage value required

for the adoption or amendment of the constitution, teeks to an impact the ANC decides on mass station to prese for the establishment of

in political change:
The ANC National Executive Committee suspends bilateral talks with the povernment and participation in CODESA pagolishous.

The general exceptacy of the South Afford Computation party. W. Chek He is sessed asked at his house in Botsborg.

The AVC was a clear majority in this country's first fully disposable in the major opposition parties concide defeat and the vote is declared internt parliament ejects Mandela as president.

De Kleric votes relactantly in produc of constitution but says his pastly would enlaw its position because of dissensation with same patient. De Kleric and National party withdraw from the programment of settings.

Mandels formally inaugurated as head of spate; De Cente, and Stubio Model become deputy presidents.

The ANC launches a campaign of mass action, to force an ac

Netson! Mandala and President de Klerk, averded the Nobal Pe

Butteleti leads intering boycott of both chargons of page

failure of the ANC, and MF to implement see election on talks on the devolution of powers to KenZino Hately further boycott of the consiliutional assembly

was staged in April:

f President Nelson Mandela importance of the role he and ing that it was time South stituency is another matter.

alone and unchallenged for more than four decades before majority rule, had failed in its efforts to write the principle of coalition government into the country's new constitution.
"We believe that the develop-

ment of a strong and vigilant opposition is essential for the maintenance of a genuine multi-party democracy," said Mr de Klerk, "Since the new constitution does not provide for the continuation of any form of joint decision-making in the executive branch of government, we have decided that the time has come for us to play our full role as the main opposition party."

Whether the National party can overcome its association with apartbeid and expand beyond its mainly white con-

But the first thing he felt he had to do yesterday was to The National party, which repair the damage his earlier ruled apartheid South Africa remarks had done.

"I am distressed that rumours of our withdrawal has had such a negative effect on the value of the rand," he told a press conference in Cape

"The basic economic policies of the government of national unity are sound," he said. "We have no reason to believe that the ANC has any intention of deviating from the course that they themselves have been co-instrumental in charting." Indeed, he continued, the

National party withdrawal from the coalition made it even more likely that those economic polices would be main-

Most observers accept that the National party has indeed been hamstrung in its junior role in the administration. It has been unable to use parliament as a forum for crificism for fear of being accused of sabotaging the government. Yet if the National party is

to fulfil its new role in opposi-tion, Mr de Klerk has a monumental task ahead of him. For it requires rebuilding a party still humbered by the baggage of the past and lacking new

Earlier this year he had already hinted that it might be time to break away. Opening new headquarters in Pretoria in February, he called on his supporters to prepare for what he described as "a new spiritnal trek towards an unknown political destination".

Although it was a phrase which is powerfully evocative of Afrikaner history, it was hardly designed to appeal to the black voters his party must now win over.

In the 1994 democratic elections the National party managed to capture around 21 per cent of the vote, most of this coming from its traditional white constituency. Local government elections last November suggested that the party had still failed to win over any

significant black support.
On the contrary, there was evidence that it was losing support among the "coloured"



government of national unity

(mixed race) voters of the western Cape, whose backing had helped it win control of the province's regional assembly its only electoral success. But Mr de Klerk has also to

confront a more fundamental problem. The Afrikaners of South Africa are divided and the National party can no longer rely on a constituency that was once rock solid in its backing for apartheid.

It was no accident that yesterday morning President Mandela went out of his way to praise General Constand Viljoen, the retired army chief whose Freedom Front party holds nine seats in parliament and which seeks what amounts to a white homeland. The Freedom Front abstained in the vote on the constitution on Wednesday and Mr Mandela shrewdly kept its hopes alive

by announcing he would be meeting the general next week. Mr de Klerk has also lost out to the extreme rightwing Conservative party. While it may wish to make common cause with the National party, it is almost inconceivable that this could be done with Mr de Klerk in charge. He is seen by the CP as having "sold out" the whites to majority rule.

One option may be to return to an alliance with Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party which controls the provincial assembly of KwaZulu-Natal. The chief may be tempted to follow Mr de Klerk out of the coalition, in which he has always been uncomfortable. It would leave Mr Mandela for the first time facing a serious and vocal opposition in parliaINTERNATIONAL NEWS DIGEST

Mugabe choice disappoints

Zimbabwe's President Robert Mugabe yesterday appointed Mr Herbert Murerwa, the minister of industry and commerce, to the post of finance minister. The country had been without a finance minister since the death last October of Mr Ariston Chambati. Analysts said the appointment fell far short of the expectations of business leaders and international donors.

Mr Murerwa has no formal economics or business training and is unlikely to carry much clout within cabinet or the politburo. He is from the moderate wing of the ruling Zanu-PF

Mr Mugabe also replaced the posts and telecommunications minister, Mr David Karimanzira, following alleged minister, Mr David All Hamilians, following angeling mismanagement of the award of cellular telephone contracts.

The main surprise – which disappointed businessmen – was the transfer of Mr Nathan Shamuyarira from the ministry of labour to industry and commerce. One of Mr Shamuyarira's last acts as labour minister was to ban redundancies by companies seeking to restructure - in open defiance of agreed Tony Hawkins, Harare

Hizbollah bomb kills two

Hizbollah guerrillas yesterday set off a roadside bomb in Israel's self-styled security zone in southern Lebanon, killing two pro-Israeli militiamen. The homb was the first attack to inflict casualties in the occupation zone since the April 27 ceasefire which ended 17 days of Israeli bomhardment of Lebanon. The ceasefire agreement stipulated that Israeli forces and Hizbollah would not fire from or at civilian areas but did not rule out attacks on Israeli targets inside the 15km zone – considered resistance by Hizbollah against a foreign occupier.

Meanwhile, Arab ambassadors to the United Nations were yesterday seeking Security Council action on the UN report suggesting Israel had intentionally shelled a UN camp in Qana, Lebanon, killing more than 100 people. The US is not likely to vote for a measure that criticises Israel, although France described the report as troubling the UK said it should be taken seriously.

Museveni heads for victory

Troops fanned out across Kampala before the official end yesterday of the country's first direct presidential elections. Most analysts predict that President Yoweri Museveni will win in the first round on the basis of his 10-year record of political stability and economic growth, enormously appreciated by an electorate scarred by the brutal regimes of dictators Idi Amin and Milton Obote.

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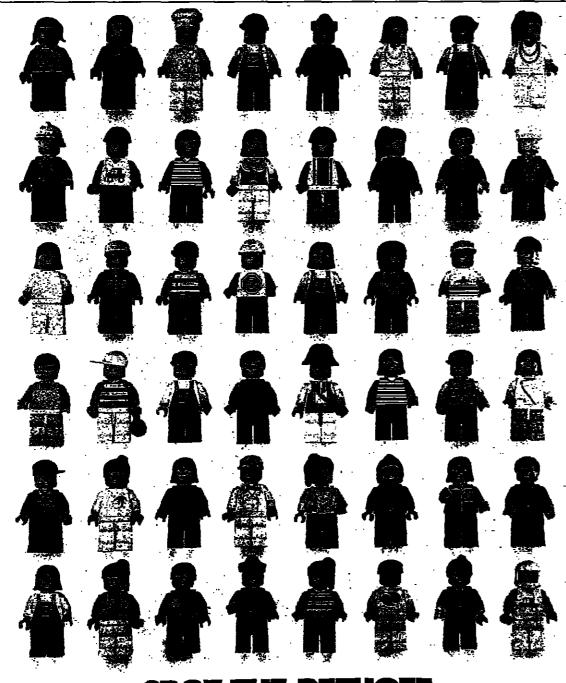
The two opposition parties fielding Mr Paul Ssemogerere, a 64-year-old former minister, complained that the army would intimidate supporters. Furthermore, dissatisfaction in the north, where rebels are terrorising villagers, support for federalism and opposition from Ugandans who reject Mr Museveni's "no-party system", have created a surprisingly large protest vote. The president is unlikely to get the 85 per

cent support his team expects.

Mr Ssemogerere virtually conceded defeat during a press conference the night before the election, blaming his anticipated failure on the bribing of local officials, 'state-engineered violence" and constitutional rules that prevented opposition parties from operating effectively.

But observers say his Democratic Party is discredited by its

alliance with the Uganda People's Congress (UPC), led by the exiled Mr Obote. Mr Ssemogerere's attitude to the Lord's Resistance Army, the rebel group committing atrocities in the north, also damaged his campaign. Michela Wrong, Kampala



THE REFUGEE

There be is. Fourth row, second from the left. The one with the moustache. Obvious really.

Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin.

And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me.

Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing.

And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome. It may not seem much. But to a:

refugee it can mean everything. UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world.

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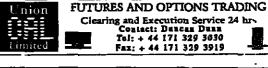


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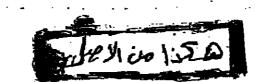
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World Bank offers Hanoi \$1.5bn loan

the country's debts soon.

The funding would be provided by the International Development Association (IDA), the bank's soft-loan affil-

increase in the bank's assistance to the communist-run country, which is one of the

Some of the projects would be designed to assist Vietnam's nascent private sector, which

Friend or foe? Investors weigh parties' words against deeds

economists say suffers from discriminatory treatment by a government keen to bolster the role of the state sector.

However, Mr Wolfensohn, the first World Bank president to visit Hanoi, made no comment on a recent document issued by the Communist party rejecting large-scale privatisa-tion. "It's for the government of Vietnam to run the country, not the bank." he said.

Vietnam still owes its com-

and has debts to Moscow of about Rbs10.5bn (\$2.1m), from the days of the former Soviet

mercial creditors about \$830m

Mr Cao Si Kiem, governor of

a joint news conference with Mr Wolfensohn that talks with commercial creditors would resume on May 14.

will reach agreement and it will be signed, probably in the third quarter of this year," he

Jobless rise in Australia

ASIA-PACIFIC NEWS DIGEST

Australia's unemployment rate shot up last month to almost 9 per cent, its highest level for more than a year. According to the latest figures from the Australian Bureau of Statistics, the rate reached 8.9 per cent in April on a seasonally adjusted basis compared with 8.5 per cent the previous month. The last time the figure was at this level was

The April data were much more gloomy than private sector economists had expected; most had predicted either no change or a slight decline in the jobless rate. Some analysts, who had been forecasting an upturn in economic activity in the second half of 1996 and a possible tightening of monetary policy, suggested that the latest job numbers rendered this a remote possibility. Nikki Tait, Sydn Nikki Tait, Sydney

Thais may widen currency band

The board of the Exchange Equalisation Fund. Thailand's most important monetary policy committee, is considering the possibility of widening the band within which the baht trades against the US dollar, according to the country's central bank. Under the plan, the baht would be allowed to fluctuate within three or four satang (hundredths of a baht) on either side of the central bank's daily mid-rate. Currently the baht is allowed to fluctuate by two satang above or below the rate.

The move is designed to add some extra risk to the currency, thus discouraging Thailand's high volume of destabilising short-term capital inflows.

Talk of widening the band, as well as recently introduced

administrative measures, has already led to some capital outflows in recent weeks. Ted Bardacke, Bangkok

Malaysian trade gap lifts stocks

Malaysia yesterday announced a merchandise trade deficit for February which represented a contraction from January's shortfall but a considerable widening from February 1995. The deficit, a barometer on whether the fast growing country is overheating, totalled M\$747.1m (US\$300m) in February, against M\$1.1bn in January and M\$477.9m in February 1995, the statistics department said.

Exports were M\$13bn against M\$16.14bn in January and imports were M\$13.74bn versus M\$17.29bn in January. Stock prices rose after the figures were announced. The local currency, was unaffected by the figures, partly

because the statistics department did not say how much of imports were capital equipment and how much were James Kynge, Kuala Lumpur

NZ deports South Korean

New Zealand last night deported a former South Korean diplomat, Mr Choi Seung-jin, to Seoul on the eve of a state visit to South Korea by Mr Jim Bolger, prime minister. Mr Choi has been a source of considerable stress between the two countries for the past year since he was dismissed from the South Korean embassy in Wellington following allegations that he had passed confidential information to the South Korean opposition.

Mr Choi went into hiding and claimed political asylum, aying he would be killed if he was forced to return to Korea Mr Choi said his wife had disappeared in Korea. New Zealand refused to return him while his case was investigated, provoking an angry reaction and intense political pressure for

Mr Choi was escorted back to South Korea by New Zealand Terry Hall, Wellington

By Jeremy Grant in Hanoi

The World Bank, praising Hanoi's progress towards a market economy, yesterday offered Vietnam \$1.5bn in concessional lending spread over three years from 1997. But it warned that long-term development depended on paying off

iate, and marks a significant

Indian left's

bark may be

With India's social justice Janata Dal

party and its leftist, mostly communist,

allies poised to hold the key in a likely coalition government, the business com-

munity will be wondering whether to con-

sider them friends or foes. The answer depends on whether to believe the parties'

Detailed in a joint declaration released

last month, their words might put shivers

down the spines of foreign investors. The

parties, chiefly the JD, India's two commu-

nist parties and the socialist Samajwadi

party, said the four years of Congress-led

reforms had "eroded economic sover-

eignty" and "provided a bonanza for big

It said the parties "reject the IMF-World

Bank dictated economic policies" which

had "increased economic disparities, fuelled unemployment and price

rises... sharpened regional economic

imbalances and hurt the nation's self-reli-

ance". India's ailing public sector, they

added, should be freed from "bureaucratic

shackles" but its privatisation "shall not

The parties said foreign multinationals

would be invited "only in the areas of

technology gaps" but "kept out" of con-

sumer goods sectors, those dominated by

small industries, agriculture and the

The parties added that in "international begotiations" they would seek to protect

india's agriculture, pharmaceutical, chem-

capitalists and multinational companies

worse than

By Mark Nicholson in New Delhi

words, or examine their deeds.

its bite

poorest in the world.

Provided the Vietnamese government wishes to take advantage of that facility we are very much prepared to do it," said Mr James Wolfensohn, bank president. Projects would include infrastructure, modernisation of the banking system, power and nutrition.

Vietnam was now the second

largest recipient of IDA assistance after India, he added. "It

is essential, however, for Viet-nam to overcome its past debt burdens with successful restructuring of outstanding commercial debt and transferable rouble debt, to set the stage for successful long-term development and access to international capital markets."

to compromise.
"I came away with the sense from the economic leadership agreement in principle and there remain some issues to be that they are anxious to create tackled. It is our hope that an environment for investment these will be cleared so that we and that... as soon as they can achieve this harmony - and I

Although the two sides are understood to be far from

Philippines defies regional trend as stocks surge

The Philippine stock market yesterday soared to a 28-month high on news of strong profits growth and better than expected macroeconomic trends The market, which has jumped 7 per cent since last week and more than 50 per

"What is exciting about the last few days is that other bourses in the region – such as Thailand and Malaysia – have remained flat or even dropped slightly, while the Philippines has taken off," said Mr William

Daniel, head of BZW in Manila. With corporate profits growth averaging more than 30 per cent in the first three months and forecasts of Philippine gross national product growing by as much as 7 per cent this year, from 5.7 per cent in 1995, turnover on the Philippine exchange doubled in the last week to more than 4bn pesos (\$150m) yesterday.

Market sentiment was bolstered by news of falling inflation, which dropped half a point to 11.3 per cent in April and is expected to dip into single figures next month, and the announcement on Wednesday of a compromise between the executive and Congress to push through the administration's centrepiece tax reform

Philippines stock market Manila Composite

debt forgiveness, bankers say

Hanoi is under some pressure

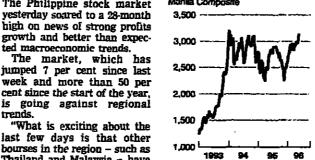
guess you will see this dis-

cussed at the next congress -

we can expect an environment

in which Vietnam will move

ahead." Mr Wolfensohn said.



Upward revision of forecasts for private sector earnings growth - which most brokerages are putting at about 35 per cent for 1996, compared with a 14 per cent average forecast for Malaysia and 12 per cent for Singapore - has also lifted stocks.

Analysts said the composite index, which closed up 63.03 points at 3,133.37 yesterday, was likely to overtake the record high of 3,347 in the next few weeks as lower inflation led to a fall in prime interest

rates. Sentiment was also lifted by yesterday's central bank announcement that growth in broad money (M3) - considered a good indicator of inflation decelerated to 20 per cent in February, from a peak of 45 per cent a year ago.

All of these policies might spell a full Forum in Davos in his attempts to draw Japan allays fears over rate rise

By Gerard Baker in Tokyo

financial sector.

The Japanese government yesterday moved quickly to allay growing fears in financial markets of an early rise in

short-term interest rates.
As speculation mounted that the authorities might soon end the long period of monetary accommodation that has helped Japan's economy out of recession in the last two years. Mr Tadashi Ogawa, senior finance ministry bureaucrat, emphasised that government policy remained supportive.

government's economic ass ment or its economic policy

Meanwhile, the Bank of Japan intervened heavily in domestic money markets to ease the upward pressure on overnight lending rates

Earlier the stock market had dropped sharply as expecta-tions of tighter monetary conditions spread. Wednesday's decision by the Industrial Bank of Japan to raise its long-term prime lending rate from 3.2 per cent to 3.6 per cent rattled has continued to keep over-

"There is no change in the investors, who sold stocks night rates below the official overnment's economic assess- heavily. IBJ's move was foldiscount rate of 0.5 per cent. lowed yesterday by the two

Sleeping on it: A poll officer naps after counting votes in New Delhi

stop for economic reforms, and in some

cases a reverse. Except that JD state gov-

ernments and the Communist Party of

India (Marxist) government of West Ben-gal have observed such policies more in

Mr Jyoti Basu, West Bengal's Marxist

leader for the past 19 years, has presided

over a thoroughly pragmatic approach

to foreign investment since Congress

deregulated and liberalised the

A Basu aide in Calcutta recently reeled

off a list of multinationals operating in the

state, including Philips, Siemens and BOC, saying: "We have clearly spelt out that we need investment. We'll see work-

ers' interests are protected - that's

all. But we need to create employment."

Moreover, Mr Basu last year tried to

privatise one of Calcutta's state-run

JD leaders have proved similarly reform and investor-friendly in practice. Mr Deve Gowda, chief minister of Karnataka, has

included a trip to the World Economic

breach than observance.

economy.

hotels.

other long-term credit banks. The moves reflect the higher cost of funds faced by banks in recent months as long-term interest rates have risen. The yield on the benchmark 10-year government bond has edged up from 2.7 per cent in autumn to 3.5 per cent last month. The yield slipped slightly yesterday, however, as bonds gained from equity market's difficul-ties. And the Bank of Japan

At one stage yesterday the Nikkei index of 225 leading stocks was down by more than

foreign high-technology and infrastructure

through approvals for a \$1bn US power project at Mangalore, and when some

His government recently helped push

economic nationalists" objected to

the opening in Bangalore of Kentucky

Fried Chicken, Mr Gowda's government

offered support to the US fast-food

In Bihar, even, Mr Laloo Prasad Yadav,

the populist farmers' son chief minister,

was also boasting on the campaign trail of

his investment-seeking trips last year to

It is clear that any left-wing JD domi-

nated government's economic policies

would favour their largely agrarian sup-

porters. Cuts in fuel, fertiliser and energy

But whether their bite would live up to

their barks about "foreign multinationals"

is far less clear. "When you just look at their state governments, they're scream-

ing for foreign investment," said the head

of one US investment institution in

London, New York and Singapore.

subsidies would be unlikely.

investors to his state.

decline of the year.

400 points almost 2 per cent. before closing at 21,411.88, a loss of 316.72 points on the day, the third-largest one-day There is a growing confidence in the durability of the economic recovery. The growth

in gross domestic product in the last three months of 1995 seems to have been maintained

Banks fear extension of Taiwan labour law will harm employees

Saura Tyson on rules ostensibly aimed at preventing 'exploitation'

a foreign bank's Taipei branch for 15 years and now holds a senior managerial position as the head of its private banking business in Taiwan. But if labour laws governing the manufacturing sector are extended to cover service industries on July 1 as scheduled, she will find it much more difficult to perform her job. And if those laws had been brought into effect a few years ago, she probably would not have got the job at all.

Her boss is in an even trick-ier position. If Ms Liu (not her real name) works more than two hours of overtime on any given day, or more than 24 hours overtime in a month, or stays at the office past 10 in the evening, the head of the branch could be prosecuted for violation of labour laws and sent to prison.

The labour law was originally designed to protect assembly line workers, especially women, from being exploited. But if left unchanged it would have the effect of reversing the huge vains made by women in white collar industries over the 12 years since it came into effect. While it also applies restrictions to men's working hours, its provisions are strictest for women.

"What are you supposed to do? Bring work home with you?" asks Ms Liu. "Banking is a 24-hour business. If a client loses their credit card, you have to handle it. If the computer system goes down, you

may have to stay overnight to icising the government - this chamber's banking committee, fix it. The government is trying to protect women, but this law creates a very unfair situation and will limit women's job opportunities."

Taiwan's cabinet-level Council for Labour Affairs (CLA)

If the law is implemented unchanged it would have the effect of reversing the huge gains made by women in services

plans to bring banks, credit unions, petrol stations, tourist hotels, sanitation and pollution control companies and information service companies under the umbrella of the Labour Standards Law. Bank and credit union employees make up nearly half the estimated 200,000 additional people set to be be covered by the law. Foreign banks say that easily 70 per cent of their Taiwan staff are women, many of them in senior management positions. More than half of employees in the local banking

private, are women. Alarmed at the prospect of a finding a large percentage of their workforce affected by the law, the foreign banks in Taiwan - normally extremely reticent when it comes to crit-

week issued a public protest. In a joint statement through the American and European chambers of commerce, they called on the government to amend the labour law to take account of the significant differences between manufactur-

including discrimination

between men and women, were

ing and service industry workers. Portions of the law,

"antiquated and irrelevant" and would severely set back the island's ambitions of becoming an Asian business and finance hub, they said.
The law "would discriminate against women in banking and prevent them from pursuing well paid, highly skilled profes-sional careers in which many women currently in our employ are valued and successful," the statement said. "The implementation of the [law] without its amendment first would be a significant step

backwards in the government's programmes to internationalise and modernise" the econ-As it stands, the labour law stipulates that workers in manufacturing, from the chairman down, must be paid double for week. Men are restricted to a maximum of 46 hours of overtime a month, and women to 24 industry, both state-run and hours. Women are limited to two hours of overtime a day and men to three, it is illegal for women to work between

> 10om and 6am. Mr Scott Law, country head for American Express Bank bureaucratic machine can and chairman of the American

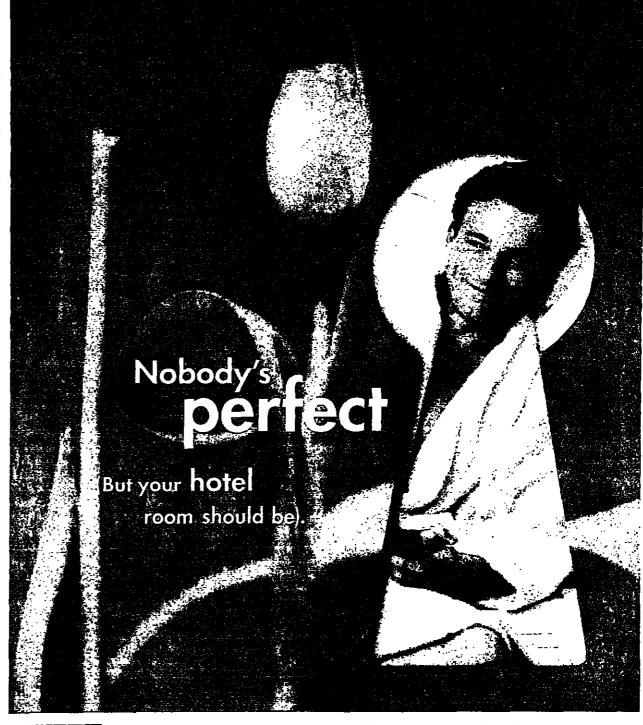
said: "They're trying to fit a square peg into a round hole. The law is fine for unskilled labour on the factory floor but it is quite a different scenario when applied to professional staff in the service industry." He argued that it was

impractical to pay senior executives, now in many cases on incentive-based compensation schemes, an hourly wage, as would be required under the

Mr Law could not confirm local news reports that some foreign banks might pull out of Taiwan if the law is implemented without changes, but said some foreign banks were marginally profitable in Taiwan or suffered losses. Many Taiwanese companies

find the law impractical for managerial levels and above, and in practice it is often neither strictly complied with nor enforced. But foreign companies generally, and especially banks, feel obliged to go to great lengths to operate strictly within the law regardless of market practice.

Those who ignore even the most anachronistic of laws do so at their peril - as the countime worked above 48 hours a try head of United Airlines discovered last year when the CLA initiated criminal proceedings against him for violation of overtime laws relating to female staff. The case was soon dropped amid embarrassment, but illustrates that while those who draft the laws may have good intentions, the



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Shell abandons oil project off Vietnam

Shell, the Anglo-Dutch group, yesterday said it had abandoned exploration at an oil field off the Vietnamese coast. becoming the first oil major to pull out of the country's offshore energy sector.

The move had been expected by the industry but reflects growing disenchantment over prospects for significant oil and gas finds in the Nam Con Son basin, an area off southern Vietnam which attracted enormous interest from foreign

companies five years ago. Shell said the company had drilled four wells but none had proved commercial, prompting Shell to relinquish an option to continue exploration at the field, known as Block 10.

"It's not surprising. Companies are only willing to spend so much with no reward and the point comes when you have to say No," said Dr Gavin Law, far east oil and gas analyst with Edinburgh-based con-sultants Wood Mackenzie.

Shell first started prospecting for oil and gas off the Vietnamese coast in 1986 and bas since spent over \$150m. It still has small interests in three other blocks offshore from Vietnam, operated by other foreign companies.

PetroVietnam's deputy director for international co-operation. Mr Nguyen Hung Lan, said one of Shell's partners in the block, Total of France. would assume Shell's share.

Other companies are likely to follow Shell. British Gas has found nothing of commercial value in Block 04-01 nearby and although it has said it will stay in Vietnam until October, industry experts say the company is likely to leave then. Lasmo of the UK is also helieved to be disappointed with results at its Block 04-2. Only British Petroleum has reason to be cheerful about the

area where it has made a large

Mobil of the US has spent about \$45m drilling two wells east of the Nam Con Son basin in the Thanh Long (Blue Dragon) prospect in waters disputed with China.Despite a modest showing last month. the outlook for a viable find is not encouraging, experts say.

Shell's withdrawal leaves Vietnam with 18 contracts with foreign oil and gas companies, most signed about three years ago. Only two companies have made what are regarded as significant discoveries: Petronas of Malaysia and Japan's Mitsubishi Oil. Both were made in the Cuu Long (Mekong) Basin, an area north of Nam Con Son. Mr Lan said that Petronas had made a commercial discovery of about 20,000 b/d and was discussing a development plan with PetroVietnam. Vietnam planned to pump 8.2m tonnes of crude oil this year, up from 7.8m tonnes in 1995, he said.

BHP demand for better oilfield terms is rejected

By Jeremy Grant in Hanoi

Vietnam's state oil agency PetroVietnam said vesterday it had rejected demands to alter the terms of an oil exploration contract with Australian oil and minerals group Broken Hill Proprietary (BHP).

The two sides have been locked in talks for months over the future of BHP's stake in the offshore Dai Hung oilfield. BHP has been seeking a revision of terms in its revenue sharing contract with Petro-Vietnam to reflect lower than expected reserves.

Our principle is very clear that we don't accept any revision of PSC [product sharing contract] terms," said Mr

Nguyen Hung Lan, deputy director of PetroVietnam's international relations department. BHP officials were not available for comment.

PetroVietnam's insistence on retaining the terms of the 1993 contract is likely to come as a blow to the Australian company, which had hoped to secure changes in order to

improve financial returns. The Dai Hung field was once regarded as Vietnam's most promising offshore oil prospect. But output has dwindled to about 12,000b/d, from 35,000 b/d when production started in October 1994. BHP and its partners Total of France, Petronas of Malaysia and Sumitomo of Japan are understood to have pumped about \$180m into the field. BHP's stake is around 44

Mr Lan said PetroVietnam was prepared to offer BHP some financing as a way of "solving BHP's financial diffi-culties", but he declined to elaborate. At one stage, BHP threatened to pull out of Dai Hung if it could not get the

However, Mr Lan's comments appear to imply that both sides have given themselves a breathing space, whereby the possibility of a full pullout by BHP has been avoided, a move which would embarrass Vietnam as it tries to maintain foreign interest in

Poland at the centre of truck growth.

Manufacturers are enjoying pent-up demand in eastern Europe, writes Haig Simonian

Poland: more crossings at the crossroads

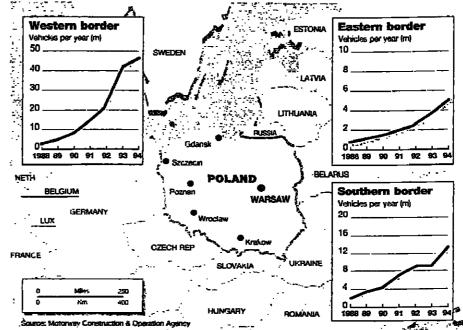
former communist countries of eastern Europe could boost European heavy truck sales by up to 30 per cent in the next decade. according to Scania, the Swedish truck maker.

Eastern Europe could buy up to 52,000 heavy trucks (of more than 16 tonnes) a year, making it the fastest growing region for truck makers after southeast Asia, according to Mr Christoffer Ljungner, chairman of Scania's Polish subsidiary.

The demand from new, private-sector east European hauliers desperate to modernise their gas-guzzling and pollu-ting fleets will play a significant role in boosting the overall European truck market to new peaks of more than 200,000 units and average annual sales comfortably in excess of the current 150,000 units, he pre-

Such optimistic forecasts appear to be borne out at the exhibition grounds of the Poznan Auto Fair – eastern Europe's premier motor show - where heavy trucks bearing familiar western brand names

are very evident. Europe's truck makers have focused on Poland to spearhead their eastern European plans. The country's size and its 40m population make it by far the biggest single transport market in the region. Economic growth of 7 per cent in 1995 and expectations of more than 5 per cent this year have fuelled a road transport boom. Moreover, Poland's location between Germany and new markets in Russia, Ukraine and Belarus has stimulated through-goods traffic - part of it controlled by Polish hauliers. The transport boom has been



reflected in registrations. Sales of domestically produced commercial vehicles soared by 32 per cent to 24,676 units last year. Registrations of imported commercial vehicles rose even faster, with a 57 per cent climb to 3,504 units. Although many vehicles were car-derived vans or light delivery trucks, an increasing number were

heavy-duty juggernauts. It is that potential which has prompted truck makers to assemble locally. Scania's Polish joint venture started work in 1993. Last year it made more than 1,000 trucks and buses. Volvo, its arch-rival, began soon after. Since then virtually all Europe's main truck makers have begun building trucks

locally. The growing role of western brands in Poland, which is leading the changes in the east European commercial vehicles market, are reflected in the region's truck Mr Kjell Ortengren, Scania's

central European sales manager, reckons total sales of heavy trucks in eastern Europe amounted to about 25,000 units in 1990. Although precise data are unavailable, he believes about 4,000 units were from western manufacturers. Five years later, western brands raised their sales to about 6,000 units, in spite of the fact that the total market had collapsed to just 7,000 units. The resilience of western

heavy truck sales and the slump in locally produced brands reflect economic changes and new opportunities for hauliers in the region. For years Polish hauliers plying international routes had to put up with the taunts of drivers ridiculing their less-than-modern machinery.

The collapse of communism unleashed huge pent-up demand for more up-to-date, efficient and reliable western vehicles, says Mr Ortengren. New trucks were also essential for local operators to remain competitive as international haulage markets were liberalised. Poland alone now has about 4,000 trucks plying inter-

International haulage represents just a fraction of the east European truck market. The bulk of vehicles are used for national, and often purely local, purposes. Many operators have struggled to survive as national economies have undergone fundamental changes, let alone had the spare resources to purchase new foreign vehicles. However, Mr Ortengren believes matters are starting to change among purely domestic transport users, with big retailers and cement companies leading the

There are, however, still constraints on the speed of sales growth in the region. Apart from economic vicissitudes. many east European countries are still handicapped by a relatively poor road transport infrastructure.

Matters are particularly acute in Poland. The number of cross-border journeys has soared as private motorists and hauliers have used the freedom to travel. But for truckers, customs delays of hours, or even days in some cases, are co monplace.

The development of Poland's heavy goods market is also under-developed motorway network. The government is committed to a motorway building programme, to be financed by tolls. More than 2,000km of new motorways are to be constructed to create new northsouth and east-west links, at a cost of more than \$10bn.

The programme, however, is already behind schedule, and will take years to complete. But western truck makers are confident that every extra kilometre of road will boost their future business.

GM shrugs off fears of **US-China** trade wars

General Motors executives yesterday shrugged off fears of a trade war between Washington and Beijing, and said the US vehicle producer was ready to invest \$2bn in China's potentially huge vehicle market, Reuter reports from Bei-

Threats of sanctions and counter-sanctions over rampant copyright piracy in China would have no effect on GM's plans for China, according to senior company execu-

tives.
"If all the planned ventures recontiating are realised over the next few months, we will be making investments of over \$2bn, including equity and debt, in China over the next few years," said Mr Louis Hughes, executive vice-president of GM's international

"We believe that the General Motors company, the largest corporation in world...must invest in China," Mr Hughes said. He added that Sino-US ten-

sions would have no impact on GM's strategy.
"Because both countries are

so large, there will invariably be times of friction, on what ever issue, in the future, he said. "Those very short, temporary frictions bear no relationship whatever to our investments in China."

GM would continue its aggressive campaign to per-suade Washington not to end China's Most Favoured Nation (MFN) trade status, which was threatened by the diplomatic and trade disputes, Mr Hughes

GM and its global carmak ing competitors have long vied for Beljing's favour as they bid for roles in the state-directed development of China's vehicle

The company had already invested more than \$200m in vehicle parts production in Schlais, president of GM's China operations. The \$2bn figure for invest-

ment included more than \$1bn earmarked for a joint venture with Shanghai Automotive Industry Corp to make midsized cars, he said. GM, which beat US rival

Ford for the venture deal, was expected to begin production in the fourth quarter of 1998 as planned, he said, but gave no details. Beijing has yet to give formal approval. GM already has one China joint venture making pick-up

Overproduction and an austerity campaign have hit Cbina's passenger car market hard in recent months, but Mr Hughes said he was confident the Chinese market was on track to become one of the most important in the

trucks and others that produce

vehicle parts.

Business anger forces retreat on tariff breaks

By Nikki Tait in Sydney

Australia's new coalition federal government is to reconsider its plans to abolish the tariff concession scheme after an outcry from the business community.

The concession scheme allows duty free imports of certain goods used in industry provided there is no Australian manufacturer of alternative goods. It is of particular value to manufacturers who have to import some of their inputs.

Although Australia has been reducing tariffs for several years, it still has a general tariff of 8 per cent, which is to fall to 5 per cent in July. There are also higher tariffs in specific sectors, such as textiles. Instead of abolishing the

scheme altogether in July which would have raised over A\$400m (US\$320m) a year for government coffers - the government is now proposing to reduce the concession so that industry would pay a tariff of 3 per cent. The government, meanwhile,

would raise additional funds by ensuring that some consumer goods, currently imported duty free, bore the 3 per cent tariff. The list of goods likely to be affected is unclear. Assuming the revised plan is

adopted, it will be the first big concession to the business

community by the conservative coalition government since its election on March 2. The plan to impose tariffs on

previously exempt consumer items has come under attack from the opposition Labor party, which claims it amounts to a "new tax" and hence breaks the coalition's election promises. In parliament yesterday ministers defended the revised scheme on the grounds it was now more "administratively workable".

Meanwhile, some government backbenchers and industry representatives remain unhappy at the compromise 3 per cent levy, claiming that this would still be an additional burden on manufactur-

The coalition borrowed the original plan to abolish the tariff concession scheme from Labor - which unveiled the proposal during the election campaign, saying the A\$1.3bn raised over the three-year par-liamentary term would help fund its promises on health and welfare schemes.

The coalition, whose election promises were considerably more generous than Labor's. quickly added the funding initiative into its own plans.

However, in the wake of the election success, the new government faced a barrage of criticism from industry groups.

Kinkel warns on sanctions

WORLD TRADE NEWS DIGEST

Mr Klaus Kinkel, Germany's foreign minister, vesterday warned the US it could face retaliatory measures from the European Union if third countries suffered under Washington's trade sanctions laws. He said the EU would not allow Washington to penalise third parties for doing business with targets of US trade sanctions such as Cuba, Iran and

"For reasons of principle, the European Union would have to consider countermeasures that would in turn have a negative effect on American trade and investment interests in Europe.

The bone of contention is the so-called Helms-Eurton law. after it shot down in March two aircraft piloted by exiles. One section of the four-part law would allow US citizens to sue foreign companies or people who profited from property of investments deemed to have been confiscated by Havana.

Under another section, people or employees of companies benefiting since March from such investments or property could be barred from entering the US. The EU reacted furiously and called for formal consultation with the World Trade Organisation, the first step under WTO rules to creating

an official disputes panel. Individual EU countries have also threatened to retaliate with entry restrictions of their own.

Porsche kits for Mexico

Porsche has begun assembly of sports cars for the first time outside Germany, at a BMW plant in Mexico. The 911 Series models are being produced from kits at BMW's new Toluca assembly facility, which recently began production of BMW's 3 Series saloons for the Mexican market.

Porsche's collaboration agreement with EMW is only the second with another manufacturer in its 50-year history. Its first was with Audi, Volkswagen's executive car division, on the Porsche 924 launched in the 1970s. The Porsches are being assembled by BMW's Mexican subsidiary. General BMW de Mexico, under the supervision of Porsche engineering staff. The Mexican venture is modest in scale - between 75 and 100 cars a year - and has been created solely as a means of avoiding Mexico's ban on new car imports by any party not classified as a manufacturer. BMW envisages assembling only

Vietnam signs \$637m port deal A consortium of three Asian companies has signed a \$637m.

about 3,000 cars a year at the plant when fully on stream

within the next three years.

build-operate-transfer (BOT) contract with state-owned Vinamarine of Vietnam to construct a deep sea port at the southern city of Vung Tau.

The grouping consists of Evergreen International, a unit of the Taiwanese Evergreen shipping group, Malaysia's MMC Ports, a subsidiary of the Kuala Lumpur-listed Malaysian Mining Corp, and Tredia Resources, a Singapore-based company backed by Japanese and Malaysian investors. Total capacity at the Vung Tau port would be 48m tonnes of cargo when completed in 15 years.

Jardine forms water venture

Hongkong Land Holdings, the property and infrastructure arm of the Jardine group, yesterday announced that it had teamed up with Temasek of Singapore and AIDC of Australia to form a \$30m water treatment company to finance and develop projects in China.

Of the initial equity, divided equally between the partners, \$25m will be invested in a joint venture with a local partner in Shenyang, the capital city of Liaoning province. The joint venture will fund and develop water supply facilities of 150,000 cubic metres per day. The move marks a significant step for Hongkong Land, which is seeking to expand its infrastructure activities in the region. AIDC is an investment company owned by the Australian government. Temasek is an investment holding company owned by the Singapore John Ridding, Hong Kong

Siebe, the international controls and appliances manufacturer, said yesterday it had won two Middle East orders for plant automation equipment worth £25m (\$380m). JGC of Japan, which is building a liquefied natural gas plant in Qatar, has ordered Siebe safety shutdown and information systems for the 5m tonne-a year development.

Control systems manufactured by Siebe's Foxboro subsidiary are also to be installed at a \$1.4bn power plant near Riyadh, in Saudi Arabia. Tim Burt, London

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urther information please **Toby Finden-Crofts** +44 0171 873 3456

US engine plant **Industry Correspondent** Toyota, Japan's biggest ments.

Toyota to build

carmaker, yesterday announced plans to invest \$400m on a new US plant in West Virginia to manufacture engines for its north American built Corolla model. The move marks a further step in Toyota's accelerating internationalisation and follows a decision to spend \$700m on a new pick-up plant in Indiana.

The new engine factory, creating up to 300 jobs in an area of traditionally high unemployment, will build 300,000 engines a year when production starts in late 1998. according to Mr Hiroshi Okuda, Toyota's president. Once fully operational, Toyota will be able to fit locally made engines to all its north American built Corollas.

The group already has a factory in Georgetown, Kentucky, which makes 500,000 engines a year, and a unit in Canada building a further 90,000 units annually.

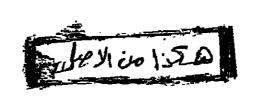
Toyota has boosted its US production capacity to raise output and lower its dependence on Japanese-built cars and components in the north American market, reducing its exposure to currency move-"Today's announcement of

this new engine plant is yet another step in Toyota's localisation of all aspects of the vehicle production process. said Mr Okuda. The announcement of the West Virginia plant is welcome news for the state and follows

protracted negotiations over the plant's location. The site, about 30 miles (50km) northwest of Charleston, was selected after residents in the city of Milton refused to sell their land. Toyota also rejected two sites in western Maryland and one in Mineral Wells, West Virginia. News reports said the Buf-

falo plant's engines will be sent to the carmaker's New United Motor Manufacturing plant in Fremont, California, a joint venture with General

Mr Okuda this week admitted that the US versions of his company's cars were inferior to those made in Japan. "In many respects our US operations are catching up," he was quoted as saying.



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transactions. Microsoft is a world leading software provider and developer of the popular Windows NT® Server network operating system. The results of this alliance will meet the high demands of business-critical computing while providing reduced total cost of ownership, unrivaled scalability, reliability and a broader choice of applications.



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Dole attacks Clinton over Asia policy

By Jurek Martin, US Editor, in Washington

Senator Bob Dole, the US Senate majority leader, yesterment of the Clinton administration's Asia policies and proposed a new "Pacific democracy defence programme" aimed at blunting the threat of ballistic missile from China and North Korea.

The presumptive Republican presidential candidate also said that President Bill Clinton "should cease bilateral contacts with North Korea on proliferation and on diplomatic normalisation, until North

Rorea resumes direct discussions with South Korea."

Mr Dole's speech was the first set-piece address devoted to foreign policy since March, when he was virtually assured of the Republican nomination. Mr Dole said there were "two myths" about the president's

foreign affairs record. The first was that some recent achievements had rendered him "a capable foreign policy president." The second was that, "because the president and I believe in international engagement, free trade and peace in the Middle East, there are not major differences between us on America's

global future." He maintained that the differences were "vast and fundamental", including Nato expansion, excessive reliance on the UN and the need for more effective ballistic missile defence.

But the speech also dealt with what he saw as problems specific to Asia. He said Japan, Taiwan and South Korea were directly exposed to ballistic missile threat and so it was time to make available US systems, such as theatre highaltitude air defence, to which, he said, they did not have

Mr Dole said the president had only "belatedly discov- accused Mr Clinton of "dia-

ered" the importance of the logue for dialogue's sake security relationship with Japan on his trip to Tokyo last month. The administration had "provoked a trade war, lost it, and then declared victory." Even so, pressure on Japan to continue to open its markets should be maintained.

Mr Clinton, he charged, had also mishandled relations with Taiwan, particularly over the failure to offer "decent treatment" to President Lee Tenghui on his US visit last year. Taiwan should, the senator added, also be provided with additional means of defence. On North Korea, Mr Dole

strategic vision, no operational plan and no tactical co-ordination." Recommending further ostracism of Pyongyang, he said China had not been appraised in advance of the president's quadripartite talks initiative, involving both Koreas, the US and China. The biggest part of his

speech was on relations with China, where "the list of concerns and problems in the relationship is long and growing." But, he said, Mr Clinton had used a "scattershot" approach to China, jumping from trade to missile proliferation without



NYC woes block tax cuts

By Richard Tomkins in New York

New York City's financial crisis yesterday forced Mr Rudolph Giuliani, the city's mayor (pictured above), to shelve plans for tax cuts that had been expected to inject more life into the economy.

The cuts postponed include a local surcharge on personal income tax that costs the average working New Yorker \$78 a year. But one tax cut saved by

Mr Giuliani is a two-point reduction in the city's 8 per cent tax on clothing sales.

The mayor hopes that reduc-tion will stem the flow of people shopping outside the city. But other cuts deferred involve property taxes on condominiums and apartment buildings run by co-operatives. Mr Giuliani, the first Repub-

lican mayor of New York City in a generation, has champi oned tax cuts as a way to invigorate its ailing economy. However, since he took office at the beginning of 1994, many planned cuts have been stymied by the city's deep finan-

In spite of cuts in public services and the axing of about 20,000 jobs from the municipal workforce of 200,000, the city continually finds itself with insufficient revenue from taxation and other sources to cover its public service spending.

New York's planned spending in the fiscal year to start in July is \$32.7bn, more than that of some countries. By law, it has to balance its books, but Mr Ginliani faces an expected shortfall in revenue of more than \$2bn.

The main reason for New York's budgetary problems is tradition of offering a high level of public services, supported by high taxes. The latter have driven people and businesses out of the city, leading to a reduction in the tax base and a need for yet higher taxes to support the city's spending.

This year, the leading US credit rating agencies threat-ened a further downgrading of the city's debt if New York did not get a grip on its financial problems. It already has one of the lowest debt ratings of any large US city, only two notches above junk bond status.

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Brazilian police courts backed

By Angus Foster in São Paulo

The Brazilian senate has blocked a proposal to scrap the country's special police courts, in an embarrassing setback for President Fernando Henrique

The proposal, which Mr Cardoso backed publicly after a massacre of at least 19 landless farmers by police last month. would have meant cases against police officers going to civil courts rather than special police tribunals.

that such tribunals are usually

very lenient. Senators supporting the police and big landowners combined to reject the original proposal. They intend to offer an alternative bill, which would give civil courts jurisdiction only over cases where police intended harm to victims. Police courts would continue to judge cases where any harm was alleged to be accidental.

Mr Helio Bicudo, the Workers' Party politician who made the original proposal, said the alternative was "a mechanism to trick people. Who decides whether a crime is intentional or accidental is the police," he

Even if the alternative proposal is approved by the full senate, the bill has to return to the lower chamber of Congress. The slow legislative process in Brazil means final approval could take years.

Mr Cardoso's government, which is suffering domestic and international criticism for its slowness in addressing social problems, wanted to use the abolition of police courts as a concrete example of progress on human rights. It was also expected to be one of the main points of a National Plan for

Brazilian President Fernando Henrique Cardoso's economic reform proposals are back on track after a damaging delay, the supreme court having upheld a government-backed amendment to the constitution's social security provi-

sions, writes Angus Foster. The reforms had been on hold since a supreme court judge granted an injunction last month. But the full court, on Wednesday night, ruled by 10:1 that Congress may

security changes.
The government had hoped for approval of most of its projects by next month, but the delay has made that look very optimistic. Many Congress members are expected to be absent later this year, involved in municipal elec-tions in October.

human rights, which the government was hoping to

announce next week. The setback is especially awkward because of continuing concern about the massa cre last month, when police shot farmers blocking a road in the Amazon region. Mr Mario Pantoja, the police colonel who led the action, has claimed his officers did not hear his orders to cease fire. Independent coroners, however, say several of the dead farmers showed signs of summary execution, such as bullets fired from very close

The killings prompted Mr Cardoso to try and accelerate the government's cautious land reform programme. But his efforts are already running into opposition in Congress, where many landowners from his own coalition oppose the

Contrasted fortunes at NY sales

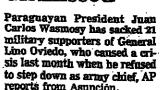


The big early coutemporary art at Sotheby's and Christie's in New York this week suf-

fered very different fates, Antony Thorncroft writes. On Tuesday night, Christie's sold 37 of the 46 lots offered for a total of \$15.3m. (£10.1m). But, on Wednesday, while Sotheby's found buyers for 45 of its 59 lots, the three most important works - by Willem de Kooning, Jasper Johns and Franz Kline, each estimated at upwards of \$2.5m - failed to sell.

As consolation, 16 of the 17 paintings from the collection of Helen Benjamin found buyers, for a total of \$3.3m. The auction brought in \$13.4m. (£8.8m.) and was 54 per cent sold by value. The top price was the \$2.4m. for Study for Agony, painted by Arshile Gorky in 1947, shortly before his suicide.

Paraguayan officers dismissed



reports from Asuncion. The president's office announced late on Wednesday that 11 generals and 10 colonels, mostly from the cavalry, had been retired. The president also replaced Paraguay's deputy defence minister, Gen-

eral Abilio Giménez. On April 23, after a 27-hour impasse which provoked fear of a military coup, Mr Wasmosy agreed to appoint Gen Oviedo defence minister on condition that he quit the army. But, after Gen Oviedo had retired, the president bowed to public pressure and revoked the agreement

Gen Oviedo, who wants to run for the presidency in 1999, has launched a faction within the ruling Colorado Party.

Republican moderate budget move rejected

The White House yesterday rejected a new, more moderate Republican pro-posal for balancing the US federal budget, as the two sides battled for the public relations advantage in this year's presidential election campaign. The White House chief spokesman,

Mr Mike McCurry, said President Bill Clinton would veto a budget which fol-lowed the Republican proposal. But Mr Clinton himself later left the door open for negotiations, as he has done consistently in recent months. In improvised remarks, he said the new budget plan was "a movement in the right direc-

beginning of a process that will end in a ... balanced budget."

With no immediate resumption of budget negotiations in sight, Demo-crats and Republicans remain dead-locked over the most sensitive legislative business now before Congress: the repeal of a 1993 petrol tax, an increase in the federal minimum wage, and plans to balance the federal budget by

Even so, the new Republican plan marks a significant shift in the party's position on how budget balance - a goal agreed by both sides - should be achieved. It calls for much smaller tax

of growth in popular spending pro-grammes, in an attempt to counter the image of political extremism created by the party's previous approach to bud-get balance. Republicans leaders date the decline in their popularity to their showdown early this year with the president over a tougher deficit reduction plan.

The current proposal is a faint shadow of Republican plans in 1995 to dismantle large chunks of the federal government, slash spending, overhaul public health programmes and provide large tax cuts. The Republicans' Contract with America proposed tax cuts

calls for \$122m in cuts. The main tax break would be a \$500 credit per child. an idea first proposed not by the Republicans but by Mr Clinton in 1994. The latest Republican proposal nar-rows the gap between the two sides over the size of necessary savings, but

wide disagreements remain over the policy changes needed to generate those savings. A main area of dispute is over federal control of welfare, Medicare (public bealth care for the elderly) and education, with the Republicans still fighting to give states control in these areas and the White House want-

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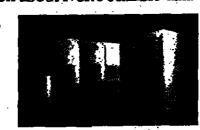
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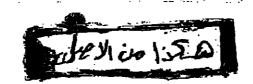
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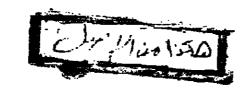
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FINANCIAL TIMES

COMPANIES & MARKETS

Friday May 10 1996 OTHE FINANCIAL TIMES LIMITED 1996



Compaq

picks UK

group for

IN BRIEF

Harris Stay Bugs

Astra to proceed with NY listing

Astra, the Swedish pharmaceuticals group, met market expectations with an 11 per cent rise in first-quarter profits and said it would go ahead with a planned listing on the New York Stock Exchange this month in spite of a wave of adverse publicity in the US over sexual harassment allegations. Page 20

Mazda identity safe under Ford, says chief Mazda, the Japanese car-



maker in which Ford recently took a controlling stake, is on track to return to profitability and pursue a growth strategy, according to Mr Henry Wallace (left), the former Ford official who assumes the top post at Mazda in June. He emphasised that the closer relationship between the two

carmakers was aimed at deriving benefits from the synergies of two independent companies, rather than at integrating Mazda completely into Ford. Page 23

Veba profits defy failing sales

Veba, the German utility group, announced a 19.1 per cent increase in pre-tax profits in the first quarter to DM1.01bn (\$570m) in spite of a slight decrease in sales to DM18.2bn. It said a strong performance in the group's electricity division was instrumental in lifting first-quarter profits. Page 21

BASF reports record earnings

BASF, the German chemicals company, reported the strongest first-quarter earnings in its history, in spite of falling turnover and a weak European economy. Pre-tax profits for the three months to the end of March increased 27.3 per cent, from DM880m to DM1.12bn. Page 21

Alcan to consolidate its revolution The revolution at Alcan of Canada, the world's sec-

ond-biggest producer of aluminium, is not over. Since 1991, the group has cut annual costs by U\$\$500m and has driven down debt by selling non-core assets worth about \$1bm. However, Mr Jacques Bougie, president, says 1996 will be a year of consolidation. Page 22

Inntrepreneur sells 33% of its pubs Inntrepreneur Estates, the pub joint venture owned by Grand Metropolitan of the UK and Foster's Brewing Group of Australia, has sold a third of its pubs for £262m (\$398m). The buyer is Spring Inns, a vehicle set up in order to find an ultimate buyer for

Nokia plunge pulls Helsinki down A 6.1 per cent plunge in the shares of Nokia, after

the company reported sharply lower first-quarter pre-tax profits, pulled markets in Helsinki down. The disappointment spilled over into Ericsson, which contributed to a weak performance in Stockholm markets. Page 36

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Market Statistics

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Chief price changes yesterday

Shares in Royal Dutch/Shell jumped sharply yesterday on hopes that the Anglo-Dutch oil group would substantially increase its dividend payment later this year in the wake of a record first-quarter profits perfor-

Higher oil prices, improved refining margins, strong cold weather-related oil and gas sales and early benefits from the restructuring programme all contributed to a 37 per cent increase in net profits to £1.74bn (\$2.63bn) in the three months to March 31

same period of the previous year. Part of the increase came from £90m of special tax credits.

However, it was the big improvement in cash generation which caught the eye of investors. During the quarter Shell generated £2.5bn from operations,

With the group committed to

first quarter the figure rose from 10.9 per cent to 11.3 per cent analysts said they expected Shell to return much of its surplus cash to shareholders in the form of an increased annual dividend, which they believe could reach

38p this year (33.3p). In London, hopes of a higher payout lifted the group's shares

in the share price indicated that Shell's performance and stock market rating has been unaffected by the recent bad publicity surrounding its activities in Nigeria and the furore over its

However, the group continues to attract criticism over its environmental and human rights pol-

Yesterday, Pirc (Pensions Investment Research Consultants), the corporate governance group, called on Shell shareholders to vote against the report and accounts at the annual meeting next week in protest at the group's business interests in

A rise in the average oil price to \$18.60 a barrel during the quarter, higher oil and gas sales because of the cold winter and lower costs helped exploration

Refining and marketing profits rose to 2643m, from £373m, thanks to improved refining margins, particularly in Asia, Inventory gains and, again, the cold

The one black spot was chemi-cals, where the downturn in the industry cycle from last year's peak saw profits more than halved to £165m, from £360m, as

prices and margins fell sharply.

Earnings per share for Royal

Dutch were FI 5.22, against Fl 3.98, and for Shell, 19.1p, compared with 13.9p. Lex. Page 18; Interview with Shell's Dutch president, Page 24; and production profits increase Montell results, Page 21

3D graphics By Louise Kehoe in San

> largest personal computer manu-facturer, has chosen advanced graphics technology from Video-Logic, a small UK company, for its next generation of home com-Compaq said it would include

Compaq Computer, the world's

three-dimensional graphics circuit boards developed by Video-Logic in a new range of Presario home PCs, to be launched this year. The technology would bring arcade-quality 3D graphics to home computer games, Com-

paq said.
Although the value of the contract was not disclosed, it is expected to lead to a jump in VideoLogic's revenues, Compaq will purchase the 3D graphics boards from NEC of Japan, VideoLogic's manufacturing and development partner, for about \$100 each. VideoLogic will receive royalties on every sale.

Last year, Compaq sold about 1.5m Presario PCs, according to industry analysts, and sales are expected to grow by up to 20 per

cent this year. Compaq's endorsement of the VideoLogic graphics boards could give the UK company a central role in the next genera-tion of PC technology. As the world's leading PC manufacturer, with 1995 revenues of \$14.8bn, Compaq often sets stan-

dards for the industry.

Compaq sees the 3D graphics boards creating a jump in home computer sales. Until now, the home PC had been regarded primarily as a productivity and educational tool, said Mr Rod Schrock, Compaq vice-president, The new graphics technology would "broaden the home PC appeal to consumers as the ultimate gaming and entertainment device". "3D graphics is the next important development in the PC industry," Merrill Lynch analysts said in a recent report. For loss-making VideoLogic, which had revenues for the six months Compaq contract is a break-

The deal opens horizons for a company acknowledged as one of the UK's most technically innovative but which has been dogged by bad luck and poor

Mr Tony Maclaren, VideoLogic chief executive, said the deal was "the most significant in the company's history". In London, Videologic's shares jumped 8½p

Shell posts record first-term profits

By Patrick Harverson in London

compared with £1.74bn in the

The results, calculated on a

replacement cost of supplies basis, were better than the market had expected and prompted analysts to raise their full-year profits forecasts from about £4.8bn to more than £5bn.

against £1.8bn a year ago, and ended the period with net cash of

improving its return on capital

imminent danger of creating dis-

incentives to investment in the

networks and services that will

form the nervous system of the

What makes the dispute between BT and Mr Cruickshank

so acrimonious is that he has

linked acceptance of his price

plans to the fair trading condi-

these are linked," says Mr John Butler, BT's head of regulatory

affairs. BT is utterly opposed to

the fair trading amendment,

arguing that it gives Mr Cruick-

shank an absolute right to define

anti-competitive behaviour and

punish it accordingly. BT com-

plains it would have no right of

If a compromise cannot be

agreed, BT may reject both cap

and fair trading condition, prompting Mr Cruickshank to

refer the issue to the Monopolies

An MMC referral is expensive,

absorbs senior executives' time

and creates instability. The possi-

hility has been cited as one cause

of merger talks between BT and

The dispute begs two ques-

tions. First, how can Oftel have

arrived at a value of X which the

entire industry regards as poten-

tially damaging? Mr Cruick-

shank's first responsibility is to

the consumer, but he has a duty

to ensure his actions do not dis-

courage investment. Second, why

and Mergers Commission.

Cable and Wireless.

Sir Iain Vallance, BT chairman. has he linked the cap and the fair

spelled out his worries in a trading condition and why is he recent speech: "The UK is in unwilling to allow BT a right of

appeal against his judgments.

"We do not understand why

information society.

BT and regulator

cross wires over

the value of X

he authors of the 1984 Telecommunications Act did not – perhaps could

not - have anticipated the

vibrant competitiveness of

today's telecommunications mar-ket. As a consequence, they have

bequeathed the telecoms busi-

ness and its regulator a source of

legal conflict which threatens to

derail the industry at a critical

point in its evolution.

The issue will come to a head

in three weeks when Mr Don

Cruickshank, director-general of

Oftel, the industry watchdog, sets

out his plans for regulating many

of British Telecommunication's

prices to 2001, and ways of polic-

He has already given sufficient hints of his intentions to dismay

the industry. He wants to set a

cap on most of BT's prices equal

to inflation minus between 5 and

9 percentage points (usually called the value of X) and wants

to insert a fair trading condition

in BT's licence which would

allow him to identify and deal

more quickly and severely with

and the consumer should benefit.

But other operators think the cap

is too tight, because to compete

with BT they would have to set

even lower prices. Mr Nicholas

Mearing-Smith, finance director

of Nynex, the cable operator, said

last month the company would not have invested in the UK on

its present scale if it had expec-

ted such regulation.

anti-competitive behaviour.

ing its trading behaviour.

35¹/₂p to 887p.
The strong results and the rise plan to sink the Brent Spar oil Telecoms company to fight link between fair trade conditions and pricing structure

Don Cruickshank, left, and Iain Vallance, in weighty discussion Oftel carries out similar analy-BT new freedom to set many of

ses on its computers. Neither side uses the same model or the same data. There are commercial reasons for this, As one Oftel executive said: "BT's model would cost drivers in their business." And Oftal cannot share data it is given in confidence by the 150 or so operators with which it "It could share more than it is sharing at the moment."

Neither side has confidence in on assumptions about BT's cost the other's calculations. This is par for the course between regulators and regulated. A value for X is likely to be agreed which BT may not like but which will not bring the apocalyptic consequences it fears.

The fair trading condition is another matter. Oftel says it must be linked to pricing because Mr Cruickshank intends to give

its prices under the cap. Some form of effective policing will be essential. But BT cannot have an appeals procedure because of the law, Oftel argues. This apparent denial of natural justice stems from the 1984 Act which, according to Oftel, says Mr Cruickshank cannot give some other body the authority to override the opposite case and insist a compromise can be found. Their discussion turns on the question of whether a review of a decision means the same as an appeal against a decision.

fronically, government plans to reform competition law would give BT the appeals procedure it is demanding. Legislation, however, is unlikely in the life of this

Alan Cane to 82p.

De Benedetti packaging unit to seek listing in Budapest

By Virginia Marsh in Budapest

Cofinec, a fast-growing central European packaging group founded in 1989 by Mr Carlo De Benedetti, the Italian industrialist, is expected shortly to announce plans to go public. It is believed to be considering a share offering for around half the company as well as listings on the Budapest stock exchange and a western European bourse. The offering, which would include a capital increase to fund further expansion in acquisitions, is expected to raise \$75m-\$100m.

if successful, Cofinec will become the first non-Hungarian company to list in Budapest. Although the exchange has been one of the best performing in the world this year, it has just 41 stocks with a total market capiThe largest shareholder in Cofi-nec is Cerus, the French holding company which groups Mr De Benedetti's non-Italian business

Cofinec's chairman is Mr Hans-Jorg Rudloff, former head of investment bank CS First Boston in Europe. It has retained ING Barings and Credit Anstalt Secu-rities, two of the most active players on the Budapest exchange, to advise it on the transaction.

The company - considered one of the former eastern bloc's first home-grown multinationals - has seen its turnover rise from \$88m in 1993 to about \$135m last year. It forecasts annual sales will rise to about \$200m once its new \$30m plant in Poland, due to open later this month, comes on stream. Cofinec owns Petofi and Kner,

concerns which it acquired through privatisation in 1990 and 1992 respectively. In 1993 it purchased a 50 per cent stake and management control of Krpaco, a large Czech packaging company. Its clients include consumer

appeal? The first question turns

of capital, its efficiency and the

expansion of the market. Some-

where in the City of London a

bank of BT computers churns

away at its business model. It

takes several days to complete a

run, and if all possible variables

were included it could take 2,000

millennia to complete the compu-

goods companies such as McDon-ald's, PepsiCo, General Electric of the US and Philip Morris. Last year, Cofinec doubled its capital base through a FFr210m (\$41m) capital increase which brought in several western insti-

tutional investors. Cerus, whose stake was diluted to about 46 per cent after the capital increase, is expected to sell some of its stake in the planned offering. Mr De Bene-

detti, chairman of Olivetti, the troubled Italian group, plans to divest investment in non-core

German digital TV battle opens

By Frederick Stüdemann in Berlin

The German cartel office yesterday approved the forma-tion of a digital television service company, MMBG, by a consortium of German broadcasters, Deutsche Telekom, the stateowned telecoms company, and Canal Plus, the French media

The cartel office ruled that despite many of the main players in the German television industry being involved in MMBG, the alliance would not hamper competition. The decision clears the way for a battle between Bertelsmann and KirchGroup, two of the biggest German TV companies, over the development of the pay TV market.

mann, the German public sector broadcasters ARD and ZDS, CLT of Luxembourg along with Canal Plus of France and Deutsche Telekom to develop a technological platform for digital television in Germany, with the possible aim of extending it across Europe. At the centre of its operations is the Mediabox, a settop decoder for digitally transmitted television signals.

This week, Deutsche Telekom

announced it had placed an order for 85,000 Mediaboxes on behalf of MMBG, which is yet to be formally established. Germany's only existing pay-TV network Premiere also said it had ordered 30,000 of the decoders to use in trials. Bertelsmann and Canal Plus control 75 per cent of Premiere, which has just over 1m sub-MMBG was set up by Bertels-

KirchGroup was originally invited to join MMBG but has since decided to develop its own technology based around a decoder called the d-box being developed with Vebacom, a subsidiary of the utility Veba, and the retailing group Metro.

Until now, the KirchGroup seemed to have the lead in the race to establish digital pay-TV in Germany. The d-box is already in trials and the KirchGroup is this summer set to launch a pay-TV network, DF-1, which will use the decoder.

MMBG's Mediabox was developed by Société Européennes Control d'Access, a company jointly owned by Bertelsmann and Canal Plus.

Following the cartel ruling, the formal establishment of MMBG is expected within weeks.

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The merger of



to create a leading British based media group valued at over £3.3 billion

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Astra meets expectations and confirms NY listing

By, Hugh Carnegy in Stockholm

Astra, the Swedish pharmaceuticals group, yesterday met market expectations with an 11 per cent rise in first quarter profits and said it would go ahead with a planned listing on the New York Stock Exchange this month despite adverse publicity in the US over claims of sexual harassment.

The company kept up its recent record of returning profits growth ahead of sales increases, reporting pre-tax profits up from SKr3.1bn in the same period last year to

Group sales increased 8 per cent from SKr8.6bn to SKr9.3bn, driven by a 15 per cent increase in sales of its top product, the anti-ulcer drug Losec, one of the world's top two best-selling prescription drugs. In the US, where Astra has grown rapidly recently, sales rose 28 per cent to SKr2.45hn, including Astra's half share in Astra Merck, which sells Losec in the US. As Astra had warned earlier, the result was affected by the much

SKr3.44bn (\$505m). Barnings per share higher value of the Swedish krona in firmed that it planned to list its rose 10 per cent, from SKr3.63 to the period, compared with the same shares on the New York Stock the period, compared with the same shares on the New York Stock cover story in Business Week magaconstant exchange rates were up 16 per cent overall and by 39 per cent in the US. Sales of Losec increased 25 per cent under the same adjustment. The result was in line with analysts' expectations and Astra shares were stable in a weak Stockholm stock market yesterday. The mosttraded A share ended unchanged at

SKr298.50. The company, Sweden's biggest in terms of market capitalisation, con-senior officers pending its own inves-

stage last year. It said group sales at Exchange on May 23. It would be the second Swedish company to do so, after the flotation of the truck maker Scania last month.

> Mr Hakan Mogren, chief executive, refused to be diverted by the storm of publicity that hit Astra in the US last week over allegations of repeated sexual harassment of employees by senior executives in its US operation. Astra suspended Mr Lars Bildman, its US chief executive, and two other

zine and other journals. But the company said it was confident investors would judge that the affair would not affect its business operations.

In the first quarter, sales of Astra's second-ranking drug, the anti-asthmatreatment Pulmicort, rose from SKribn to SKrilbn - although the company said the rise was 18 per cent calculated at constant exchange rates. Sales of Seloken, the "beta-blocker" cardiovascular agent, increased from

Soditic to return with new partners

Soditic, once the scourge of the Swiss bond market cartel, is to ride again with a new set of partners. The financial services group, founded in Geneva in 1971 by Mr Maurice Dwek and taken over in 1990 by S.G. Warburg, is relaunching itself with six new partners from Warburg and financial backing from Smith Barney, the US investment bank, and Mercury Asset

Smith Barney and MAM - once the fund management arm of the Warburg group – have each taken a 20 per cent stake in Soditic. The original investment banking business in Geneva, and most of its 60 employees, became redundant when Warburg was taken over by Swiss Bank Corporation last year. Soditic has no plans to return to bond issues. "The whole primary debt market in Switzerland has matured. The opportunities which existed in a cartelised market have gone, said Mr Francis Stobart, one of Soditic's new directors. Instead, the group plans to find niches in trade finance, loan syndication, leasing, merger advice and some equity dealing George Graham, Banking Correspondent and placements.

Wasa snubs Trygg-Hansa offer Wasa, the Swedish insurer, yesterday emphatically rejected a hostile bid by its local rival Trygg-Hansa in one of the fastest and most unusual takeover battles seen in Scandinavia. A meeting of representatives of Wasa's policyholders unanimously turned down a SKr) 5bn (\$220m) offer for Wasa's non-life business launched by Trygg-Hansa on Tuesday afternoon after merger talks between the two groups had broken down. They elected instead to accept an internal restructuring under which Wasa Liv, the group's life insurance arm, will pay SKr1.04bn to the 420,000 non-life policyholders to merge the previously parallel mutual businesses into one structure, with the non-life operations run as a subsidiary of Wasa Liv. As part of the deal, Wasa's international partner, Eureko, will take 9.9 per cent of the Hugh Carnegy, Stockholm

SAS group bids for Estonian Air Scandinavian Airlines System has made a bid for 66 per cent of the state-owned airline Estonian Air, together with its partners Tallinna Pank, the Danish Investment Fund for Eastern Europe and Swedfund International. Under the plan the Estonian government would keep 34 per cent, SAS would own 28 per cent and Tallinna Pank 17 per cent, while the Danish Investment Fund and Swedfund International would have 10.5 per cent each. The offer would provide Estonian Air

with about \$20m in capital. Avesta Sheffield up 76% pre-tax Avesta Sheffield, the Anglo-Swedish specialist steelmaker, posted pre-tax profits for the 15 months to March 31 up 76 per cent from SKr2.7hn to SKr4.76hn (\$698m). Sales rose from SK122.79bn to SK127.65bn. The group made operating profits of

SKr4.63hn and net profits of SKr3.27hn. Earnings per share rose from SKr12.43 to SKr20.68. AFX News, Stockholm Fokus Bank, the Norwegian bank, posted net profits for the first quarter down 10.6 per cent from NKr131m to NKr117m (\$17.9m). Net interest income fell from NKr255m to NKr228m, while other income dropped from NKr117m to NKr97m. Loan loss provisions fell from NKr34m to NKr7m. - AFX News, Oslo ■ Statoil, the Norwegian of group, posted first quarter pre-tax profits of NKr3.8bn (\$581m) against NKr5.3bn. Operating profits were unchanged at NKr4bn on sales up from NKr21.2bn to NKr24.3bn. Net profits fell from NKr1.8bn to NKr1.2bn.

■ Seat, Volkswagen's Spanish subsidiary, posted losses of Pta3.03hn (\$24m) in the first quarter, down 37.8 per cent from Pta4.88hn. Sales climbed 15.8 per cent to Pta145,194hn from Ptal25,334bn, while vehicle output rose 16.2 per cent to 108,869 AFX News, Barcelona

Nordic players learn mobile phone numbers game

son in London.

are live.

He estimates, for example

that there was 55 per cent

growth in Europe in the first

quarter compared with the same period last year, signal-ling only a marginal cooling in

the rapid increases in demand.

Asian markets are expanding at an even faster rate; most

industry observers expect

demand to rise again in the US

once the new digital networks

any significant reverse in

expectations for mobile tele-phony overall," Mr Jorma

Ollila, Nokia's chief executive,

The reason Nokia has done

much worse than Ericsson

recently is that the Finnish

company is much more

exposed than its Swedish rival

"In no way are we seeing

Ericsson is less exposed to the price and growth factors which have hit Nokia, writes Hugh Carnegy

or most of the past three years, Nordic neigh-bours Ericsson and Nokia have ridden the worldwide surge in mobile telephone sales to dazzling profits growth and strong market positions in a booming industry.

Suddenly, they seem to have veered on to divergent paths. On Wednesday, Sweden's Ericsson confidently reported a 28 per cent increase in firstquarter profits to SKr1.5bn (\$220.2m), fuelled by a 36 per cent rise in mobile equipment sales. By contrast, Nokia, based in Finland, yesterday revealed a slump in pre-tax earnings from FM1.35bn to FM399m (\$84m) as its mobile phone sales grew by just 10 per cent and its mobile phone division slipped into the red. The recent problems of

US, the third of the world's top three mobile equipment makers - have raised worries among many investors that the mobile boom has peaked. A glance at Nokia's share

price shows how serious these concerns are. From a peak of FM330 last September, it traded as low as FM130 early this year and yesterday was, at one stage, below FM150 once Negative factors have clearly

emerged in the past six months in the mobile business. In the US, the biggest single market, sales growth has flattened significantly as first generation networks, based on analogue technology, have matured, and the newly-licenced digital networks have yet to come fully on-stream. Early this year, the depressed economic climate in

Europe also led to cooler sales growth in important markets such as the UK.

Meanwhile, prices for mobile handsets fell sharply last year and continue to tumble - by up to 25 per cent this year - as demand growth has eased and competition has increased from a growing number of suppliers. This has put sharp pressure on the high profit margins that the established producers previcusly enjoyed.

ut if the industry is Cooling, how was Erics-son able to report such strong first-quarter figures? The answer lies not so much in the state of the markets as in the structure of the different groups.
"The mobile sector is a long

way from going ex-growth," says Mr Richard Kramer, tele-

coms analyst at Kleinwort Bento those areas of the sector that have been most vulnera-ble to growth fluctuations and price falls.

ricsson has two-thirds of its mobile business in infrastructure – that is, the radio base stations and switching gear which make up the cellular networks. These have been much less subject to margin pressures than the market for handsets. In addition, Ericsson is weighted towards GSM and GSM-related digital systems, which are the fastest growing segment of the worldwide market in both systems and handsets.

Nokia is also strong in GSM. But, to date, the bulk of its sales have been in handsets, where it is now struggling against falling prices and the slowdown in demand for analogue devices, which still make up 50 per cent of its handset sales. On top of that, Nokia has been plagued by logistical problems in its production proses - caused, ironically, by the difficulties of managing its rapid increases in output. Mr Ollila blames these problems for half of the recent reverse in performance

Significantly, Nokia's infrastructure business showed a marked improvement in performance in the first quarter, lift-ing sales almost 40 per cent and pushing up profits.

Nokia is now looking increasingly to the infrastruc ture side to help restore its overall profit performance. But the handset business must also get back on track quickly if Nokia is to fulfil Mr Ollila's pledge of a much better result in the second half of the year.

IRI shelves plans for break-up of Finmeccanica

By Andrew Hill in Milan

Finmeccanica, Italy's statecontrolled industrial group, must halve its debt and dispose of non-strategic activities in preparation for privatisation next year, its majority shareholder said yesterday.

But IRI, the state holding company which owns 62 per cent of Finmeccanica, has shelved more aggressive plans to break the industrial group into two companies - one for civil activities and the other for defence and aerospace. The break-up plan, prepared

29,200,000 Shares

Progless Holdings, Inc.

Class B Common Stock (par value \$.01 per share)

5,520,000 Shares

Merrill Lynch International

23,680,000 Shares

Merrill Lynch & Co.

A.G. Edwards & Sons, Inc.

UBS Securities LLC

Goldman Sachs International

Goldman, Sachs & Co.

Bear, Steams & Co. inc.

BT Securities Corporation

Dresdner Securities (USA) Inc.

Raymond James & Associates, Inc.

Duff & Pheips Securities Co.

Legg Mason Wood Walker

Chase Securities, Inc.

Smith Barney Inc.

Bear, Steams International Limited

following a report from ian industrialists closest to the McKinsey, the management centre-left alliance which won consultant, was favoured by Mr Michele Tedeschi, IRI's chairman, but strongly opposed by Finmeccanica's top management, headed by Mr Fabiano Fabiani, the chairman. Mr Fabiani is one of the Ital-

last month's elections, headed by Mr Romano Prodi, a former IRI chairman.

IRI insisted yesterday that the defence and aerospace activities, which include well-known manufacturers

engineering activities, under the overall ownership of Finmeccanica. Finmeccanica said the group was already organised in this way. A number of subsidiaries in the civil sector, such as Elsag Bailey Process Automation and

such as Alenia and Agusta,

should be "totally separated"

from the energy, transport and

Union Switch & Signal, are eparately quoted. Finmeccanica announced a consolidated group profit of L40.3bn (\$25.9m) for the year to December 31 1995, slightly lower than the 1994 figure of increase on the end-1994 figure of L4,411bn because of the repayment of L350bn owed to suppliers of Rfim, the liqui-

dated state holding company. IRI said it wanted debt to come down by L2,000hn by the end of next year with a view to selling its majority stake then or at the beginning of 1998. Finmeccanica said yesterday it regarded the defence interests as an asset, and not a handicap to the sale of IRI's stake. Finmeccanica said reduction

of debt was "the group's main commitment", and would be realised through "drastic action to concentrate the company on core businesses" as well as joint ventures and alli-

meccanica the formal go-shead to merge with the old Efim defence and aerospace companies, which are already wholly

L52.5bn. Net debt stood at IRI has now given Fin-L4.878bn at the end of 1995, an

All of these securities having been sold, this advertisement agreess as a matter of record only

8,704,202 Shares



Brooks Fiber Properties, Inc.

Common Stock (par value \$0.01 per share)

1,740,840 Shares

This portion of the offering was offered outside the United Sta

Goldman Sachs International

Alex. Brown & Sons

Salomon Brothers International Limited

Bear, Steams International Limited

Deutsche Morgan Grenfell

Nikko Europe Pic

Société Générale

6,963,362 Shares

Goldman, Sachs & Co.

Alex. Brown & Sons

Salomon Brothers Inc

Bear, Steams & Co. Inc. **Montgomery Securities**

Stephens Inc.

PaineWebber Incorporated

Huntleigh Securities Corporation

Deutsche Morgan Grenfell J.P. Morgan & Co.

Smith Barney inc.

A.G. Edwards & Sons, Inc. Oppenheimer & Co., Inc. J. C. Bradford & Co.

Edward Jones Stifel, Nicolaus & Company

Stephens Inc.

Jensen Securities Co.

Alex. Brown & Sons

Advest, Inc. Crowell, Weedon & Co. **Dain Bosworth Edward Jones** Ragen MacKenzie

Wasserstein Perella Securities, Inc.

Morgan Stanley & Co.

CS First Boston

Salomon Brothers inc

Donaldson, Lufkin & Jenrette

Donaldson, Lufkin & Jenrette

UBS Limited

Morgan Stanley & Co.

McDonald & Company

The Robinson-Humphrey Company, Inc. Sutro & Co. Incorporated

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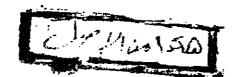
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COMPANIES AND FINANCE: EUROPE

Veba upbeat as profits advance to DM1bn

Y MAY THE BOOK

27-2 Offer

Direction

Veba, the German utility group, announced a 19 i per cent increase in pre-tax profits in the first quarter of 1996 to DM1.01bn (Sociem) despite a slight decrease in sales to DM18.2hg. Net earnings rose

21.1 per cent to DM454m. The robust first-quarter fig-ures prompted Veba, Ger-many's fourth-largest company, to state that it was confident it would improve on record 1995 pre-tax profits of

By Wolfgang Münchau in Frankfurt

DM11.8bn.

BASF, the German chemicals

company, reported the stron-

gest first-quarter earnings in

Speaking at the company's

annual meeting. Mr Jürgen

Strube, chairman, gave an upbeat assessment for the rest

of the year. "We will want to

retain the earnings level [of

1995], which is an ambitious

goal considering the weak eco-

Last year, BASF made a pre-

nomic climate," he said.

DM3.8bn. The company said a of Germany's coal levy from positive news. Sales in the oil strong performance in the group's electricity division. which benefited from Germany's long and harsh winter, was instrumental in boosting first-quarter profits. The surge in earnings exceeded our expectations."

But while profits in the electricity division rose in the first quarter, Veba said that there had been a 1.2 per cent fall in the division's sales, which the company attributed to price reductions after the abolition

BASF forecasts flat 1996

after record first quarter

a flat result".

at DM411.50.

of DM46.2bn. Mr Lutz Gruten,

chemicals analyst at Kleinwort Benson Research, said BASF

might well "achieve the goal of

Mr Gruten said that on a

January 1.

The group's chemicals division recorded a 7.1 per cent drop in sales, which Veba said resulted from lower prices and a decline in demand.

The effects of the harsh winter on the German construction sector - and a generally unfavourable business climate - were blamed for a 0.8 per cent drop in sales in the group's trading, transportation and services division.

ity stake in Hokuriku Seivaku.

a Japanese drugs group.

A breakdown of BASF's first-

quarter results shows sales in

the health and nutrition divi-

sion up 18 per cent, chemicals

The oil and telecommunications divisions offered more

division increased 4.3 per cent, owing partly to higher crude

oil prices. Sales in the telecommunications division, which has gained importance in Veba's corporate strategy, rose 5.7 per cent, though the company said high start up costs would continue to account for balance-

sheet losses in the division. Through its Vebacom subsidiary, Veba has made inroads into the German telecoms market in the run-up to liberalisation of the sector in 1998. Veba-

Market value: \$15,97bn Main listing: Frankfi

PROFILE:

BASF

third and smallest of the country's three mobile telephone

In the fixed network sector. Vebacom has formed an alliance with Cable and Wireless of the UK, in which the German company owns a 10 per cent stake, with the aim of competing head-on with Deutsche Telekom, Germany's state-owned telecoms company. Veba has said that it hopes to have secured 10 per cent of Germany's telecoms market by

refusal to release shares from the state's stake in the bank.
The bank had proposed that
the Czech National Property Fund (NPF), the state holding company, cut its stake by seven percentage points - to 38 per cent - by releasing the shares which would then be converted into GDRs and sold to foreign investors.

Bank executives promoted the proposal as a means of fur-ther privatising Ceská Spotitelna. However, Mr Vaclav Klaus, the prime minister, ruled out GDR issues as an acceptable way of reducing the state's stakes in the three largest Czech banks. Both Ceska Sporitelna and

Czech PM

refuses to

back bank

GDR issue

Ceská Spořitelna, the big

Czech savings bank, said yes-

terday it would press ahead

with an international offering of Global Depositary Receipts

despite the government's

Bankers Trust, which is co-lead managing the issue with Deutsche Morgan Gren-fell, said the offer would proceed as planned. "The roadshow begins next week in Enrope," Bankers Trust said. Ceská Spořitelna and its advisers are likely to have had alternative plans for sourcing the shares for the issue, which

will be for between 5 per cent and 10 per cent of the bank's share capital and will not carry voting rights. Shares in Ceská Spořitelna have risen sharply in recent

weeks in anticipation of for-eign investor interest. Further bank privatisation will be one of the most impor-

tant issues facing a the government after a general elec-tion at the end of this month. The NPF is the biggest

shareholder in the three main commercial banks and there is controversy over whether these should be cut further, and how. "The government has noth-

ing against GDRs," Mr Klaus said, "but we do not accept [their use] as a means of spontaneous privatisation." He described GDRs as "marginal" to the wider question of how to privatise the state's remaining banking stakes.

Montell reports bulk plastics recovery

Montell, the world's largest producer of polypropylene. vesterday reported a modest recovery in the market for bulk plastics, posted operating profits of \$42m in the first quarter. The company, launched last April as a joint venture between Montedison of Italy and Royal Dutch/Shell, reported an operating loss of \$59m in the final quarter of last year. However, there had been a "significant recovery" in the first three months of this year, as prices and demand recovered, said Mr Peter Vogtlander, chief executive.

Sales rose 8 per cent, to \$903m. While the results were well below those of last year, the company expected further rises in the second quarter. Montell achieved an operating profit of more than \$200m on sales of nearly \$1,100m in the first quarter of last year, on a pro-forma basis.

AP Moller raises forecast

Mr Maersk McKinney Moller, chairman of the A.P. Moller shipping, shipbuilding and oil and gas empire, has raised the profits forecast for the group. He told the annual meeting of one of the group's main companies that profits in both the shipping and oil and gas businesses would improve on last year's. The group had previously forecast unchanged profits for shipping and slightly lower profits for oil and gas. The Danish company, which operates the world's largest fleet of container-carrying liner vessels and is the operating company for a consortium producing oil and gas from the Danish sector of the North Sea, reported sales of DKr28.5bn (\$4.86bn) in 1995. Net profits increased from DKr1.59bn to DKr1.86bn. Hilary Barnes, Copenhage

Veag warns after DM140m loss

Veag, the east German utility, announced losses of DM140m (\$92m) for 1995 and warned that a continuing fall in sales and price cuts granted to industrial customers would see further osses of DM150m this year. The company, which is owned by a consortium of west German utility companies, said receipts from electricity sales declined DM340m to DM5.82bn. "This was largely due to the operational start-up of municipal, regional and industrial power stations," Veag said.

Investment last year totalled DM2.4bn and was primarily concentrated on the development of power stations. This was the biggest investment in the company's history and prompted Veag to seek external financing for the first time. Interest rate payments formed a considerable burden on the balance sheet, the company said. Elsewhere, Veag said it was stepping up operations in the telecommunications sector where it is working in co-operation with the west German utilities RWE, VEW, and Viag, as well as with British Telecommunications. Frederick Stüdemann, Berlin

■ Peugeot, the French automotive group, posted sales up 1.3 per cent from FFr42.675bn to FFr43.24bn (\$8.41bn) in the first quarter. Sales in France rose 1.5 per cent to FFr19.87bn, while foreign sales added 1.2 per cent to FFr23.37bn. The group sold 494,700 vehicles worldwide in the first quarter compared with 501,200 a year earlier, but sales in Europe grew. The European car market expanded 6.7 per cent in the first quarter from a year earlier, and the group's sales increased 4.9 per cent, Peugeot said. AFX News Paris

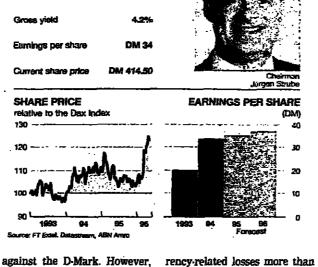
■ Saint Louis, the French conglomerate, posted sales of FFr9.38bn (\$1.83bn) in the first quarter, up 7 per cent from FFr8.76bn. The first-quarter sales figure was after deducting group divestments. AFX News. Paris

■ Promodes, the French retail group, posted first quarter consolidated sales up 5.6 per cent, from FFr22.62bn to FFr23.87bn (\$4.64bn). At comparable exchange rates, sales rose

its history, despite falling turn-over and a weak European strictly comparable basis, firstturnover down 8.3 per cent, quarter 1996 earnings were and sales of plastics and fibres actually down on 1995's - last down 15.5 per cent. The falls in Pre-tax profits for the three SHARE PRICE chemicals and plastics were year's first-quarter was months to end-March increased relative to the Dax Index affected by one-off valuation largely the result of price cuts. 27.3 per cent, from DM\$80m to and restructuring losses. BASF shares rose on the The paints division reported a DM1.12bn (\$738m), while sales 2 per cent fall in sales. declined 1.9 per cent to announcement but later fell

The company said it had back, closing down DM3 been affected by the difficult economic climate in Europe, Since BASF's core businesses and especially in Germany. of chemicals, plastics and Falling demand in construcfibres are highly cyclical, the tion-related sectors also hit

company has been trying to The US business developed well, BASF said, while Japaexpand into less volatile areas, such as pharmaceuticals, with nese sales proved "continuceutical interest of Boots, the ously unsatisfactory", because of the weak economy and a 10 UK chemists, and the recent tax profit of DM4.13bn on sales DM500m purchase of a majorper cent devaluation of the yen



11.03

against the D-Mark. However, strong profits in less cyclical areas and a sharp fall in cur-

compensated for the downturn

Subdued start to year leaves Bosch cautious

By Michael Lindemann

Robert Bosch, the privatelyowned German automotive and electronics group, yesterday said 1996 had got off to a slower than expected start but it hoped to at least match 1995 net profits of DM550m (\$362m), which were up 7.4 per cent. "I would even hope that profits would be a bit higher." said Mr Hermann Scholl, chief

down on the year-ago period. at about DM9bn. Figures for April, released yesterday, showed turnover 1 per cent higher in the first four months.

the purchase of the pharma-

The subdued start looked likely to carry over into the rest of the year, the company said. Sales had earlier been expected to rise 8 per cent, but this forecast had recently been cut to 5 per cent.

Bosch's forecasts for 1995 and 1996 had been too high, Mr However, he said sales in the Scholl said, creating a problem

to correct quickly. More than other companies, Bosch needed to improve its return on sales because it required more money for research and development. The group, which is 92 per cent owned by the Robert Bosch Foundation, is one of the top 10 companies worldwide in registering new

with stocks which was difficult

While Bosch's business in Germany last year declined DM200m to DM15.7bn, the percentage of foreign business continued to increase, rising from 54 per cent of group sales to 56 per cent, or DM20.1bn. However, Bosch said it still made about 65 per cent of its profits in Germany.

Sales, which last year rose 4

per cent to DM35.8bn - slightly faster than predicted - had been helped by the strong demand for injection systems for diesel engines, the company said.

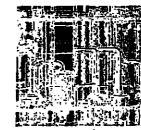
However, because company information was leaking out to competitors, the Stuttgartbased group said it would again start producing some highly sensitive components such as parts for its fuel injection systems - by itself and not rely on suppliers.

Keeping sensitive information out of competitors' hands was becoming increasingly difficult, Mr Scholl said.

Chinese and eastern European producers of electronic tools had in some cases copied the instructions word for word from the equivalent Bosch

Thermal and Energy Technology

Air Treatment and Refrigeration



Listening and understanding - the beginning of an innovative idea.

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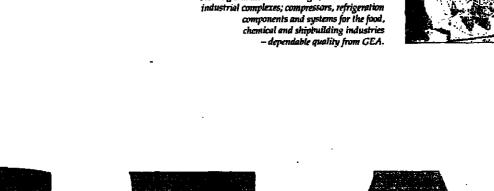
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Alcan moves to consolidate its revolution

Canadian aluminium producer is in the final stages of a rigorous restructuring process

of aluminium, is not yet over. Since 1991, the group has cut annual costs by US\$600m, mainly by direct management action, and has driven down debt by selling non-core assets worth about \$1bn.

Mr Jacques Bougie, the president who has supervised this painful programme - more than 10,000 jobs were eliminated, or 18 per cent of the global total - says 1996 will be a year of consolidation. But that does not mean it will be a year of inaction.

Although there are very few assets Alcan still wants to sell, the relentless drive to control costs is continuing. The com-pany is putting the finishing touches to a five-year invest-ment plan, a process which reflects Mr Bougie's methodical approach to management.

Alcan has emerged as a streamlined organisation, concentrating on three main areas: raw materials and chemicals; power and smelting; and rolling. But Mr Bougle points out that streamlined does not necessarily mean smaller.
Since the divestiture pro-

gramme began, Alcan has quit 100 plants world-wide and combined annual sales of \$2.5bn. But by the end of 1997 we will have recouped these sales by growing aggressively our remaining businesses," Mr Bougie promis

Some of the lost turnover has already been replaced. For example, Alcan has increased by 25 per cent capacity at its plant in Brazil, the only one in Latin America that can make sheet for beverage cans.

The company also acquired 85 per cent of the Aughinish alumina refinery in Ireland it did not already own.

In addition, the group has brought a new cold rolling mill

Bell Atlantic, the US Baby Bell

phone company, yesterday denied reports that it was con-

sidering pulling out of its \$1bn

investment in Grupo Iusacell, a

Mexican telecommunications

company in which it has a 42

per cent stake. Bell Atlantic

said it still believed in the

long-term value of the invest-

ment, given "the enormous

potential" of Mexican telecoms.

the Mexican government for

delaying a local, fixed wireless

concession. "I've been appalled. We thought that

However, Iusacell criticised

By Daniel Dombey

Grupo Iusacell stake'

he revolution at Alcan cent-owned Norf hot-rolling of Canada, the world's mill in Germany is complete; second-biggest producer and modernisation of the Nachterstedt finishing plant in the former east Germany, is scheduled for completion this year. "And we have other things in the pipeline," says Mr Bougie.

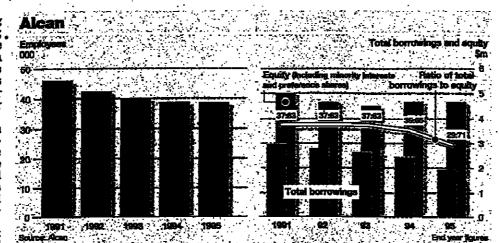
By the middle of 1996, each Alcan business will have fin-ished an analysis to determine its full potential and will have a clear set of objectives and targets to meet. "And business unit managers will be held accountable for their achievements," says Mr Bougie. The five-year investment

plan is part of this process. All prospective investments have to fit the long-term strategy and meet the following criteria: is the project linked to Alcan's core competencies; are there sustainable competitive advantages; does the investment create shareholder value: and could someone else get more value from the invest-

Alcan has quit 40 businesses with more than 100 plants world-wide and combined annual sales of \$2.5bn

Mr Bougie insists: "If the answer to the last point is yes, we should not proceed. We have to be confident that we are the best for the job in order to be assured of delivering superior returns on invest-

The careful preparation is designed "to ensure that the right decisions are made regarding capital expenditure and that we pace ourselves and do not get over-extended. Projects will not be approved on a first-come, first-served basis in Logan, Kentucky, in to operation; expansion of its 50 per but will be ranked according to a series of financial and other but will be ranked according to



tests to determine their respecings for each business with the tive merits".

Mr Bougie says: "While we want to grow the business, rest assured we are not interested in growth at any price. Alcan will not expend large sums to put up big top-line numbers that do not have a positive impact on the bottom line." Alcan was almost brought to

its knees in the early 1990s by the sudden jump from less than 500 000 tonnes to more than 2m tonnes a year in aluminium exports from Russia that pushed prices down to record lows.

The group was Canada's most profitable company in 1988, and then embarked on a modernisation and expansion programme for its smelters and rolling capacity that peaked at \$1.5bn a year. Alcan's gearing rose to 37 per cent at that time and from 1991 onwards it suffered four years of losses or break-even results. Mr Bougie's logical approach

was made very clear after the Russian shock. In 1992 Alcan undertook a study of the market outlook for aluminium. It looked at every product in every country and then at the viability of its 125 businesses. That was decided, says Mr

Bougie, by comparing the net present value of forward earn-

are China and India. where Alcan has been operating for capital employed in that husiness. "That gave us an objecmany years. Nevertheless, a tive indicator of businesse final decision about a potential that were potentially wealth 240,000 tonnes a year alumin-ium smelter in China - to be creating, those that were wealth diluting, and those developed with partners - will which were actually wealth destroving.

The study concluded aluminium was a good, growing business - demand is expected to advance by 2 to 3 per cent a year for the next 10 years - if a company was a low-cost producer. It also showed that Alcan had the assets, technolpev, and position to succeed

r Bougie says that LV L costs are higher than the industry average, so the group is considering developing a bauxite mine in Australia by 1999, which would cost at least \$100m. There is also scope for a 30 per cent increase in its present alumina and aluminium smelting capacity.

"Rounding out" of rolling capacity in Europe could add 15 per cent to cold rolling there at very low capital cost, while a doubling of capacity in Brazil is being considered. Mr Bougie is deliberately vague about the timing of these increases. The two fastest growing geo-graphic markets for aluminium

not be made until 1999. In India, where Alcan owns 35 per cent of the largest producer, Indal, "we are looking at what we might do, particularly in the rolled products area". Alcan will be one of the partners, with Indal, in a new alu-

mina project there. Mr Bougie says that by the and of this year Alcan's gear-ing should be down to 20 per cent, even though capital spending is scheduled to rise from about \$450m to \$600m. At the end of the first quarter the group's debt-to-equity ratio was 27:73.

He sums up: "By the end of 1996 our cost base will be in place, we will have focused activities in our core busises. We will have divested of non-strategic businesses. Our balance sheet will be in excellent shape and ready for the next recession. Our new rolling capacity will be fully on stream. And our management will no longer be looking back, it will be looking forward."

Kenneth Gooding

Bell Atlantic 'will retain | Disposal assists Thomson

By Bernard Simon in Toronto

things would be concluded in a Gains from the sale of a matter of weeks after Febru-ary," said Mr Edward Kingnewspaper in Aberdeen, Scot-land, helped Thomson Corporaman insacell's finance chief. tion, the Canadian-controlled Iusaceil's original plan was publishing and travel group, reduce its first-quarter loss. to provide up to 1m new lines by 2000, but local rates are still

However, these gains were partly offset by higher losses in North American scientific, medical and education publishing. Thomson blamed the dete-rioration on narrower margins, caused largely by seasonal factors which have been amplified as the business expands, including higher book returns. The net loss fell to US\$56m. or 9 cents a share, in the three months to March 31, from \$73m, or 12 cents, a year earlier. Sales were virtually unchanged at \$1.33bn A first-quarter loss is not

unusual for Thomson, because of the seasonality of the travel business. Thomson Travel posted an operating loss of \$31m. down from \$34m. The number of packaged hol-

idays sold last winter was 2 per cent higher than the previous year. Summer 1996 bookings have fallen behind last year. Thomson said it would have fewer holidays to sell towards the end of the booking season, when discounting is fiercest, but that "it is too early to forecast the extent of any discount-

ing that may be required". Demand for UK holiday cottages has been "very strong", with bookings 18 per cent up on last year.

Sales of the international publishing division, excluding financial and professional publishing, grew 11 per cent. But operating losses almost tripled to \$26m, concentrated mainly in the scientific, technical, medical and education sectors. Mr Nigel Harrison, chief fmancial officer, forecast that the division's operating profit for the year as a whole would exceed that of 1995.

Operating profit at Thomson's North American newspapers dipped from \$39m to \$37m, due mainly to the impact of the severe winter on circulation, and to investment in new products.

Souza Cruz **NEWS DIGEST** sells stake

By Angus Foster

Souza Cruz, the Brazilian arm

of BAT, the UK tobacco and

financial services company,

has sold a 28 per cent stake in Aracruz Celulose, one of Bra-

zil's biggest cellulose compa-

nies, to Anglo American of

Souza Cruz, which had indi-

cated it planned to sell its

holding in Aracruz last year,

said that it wanted to concen-

The company dominates Brazil's cigarette market and

is an important tobacco leaf

Following the transaction,

Anglo American will replace

Souza Cruz as one of three

companies controlling Ara-

cruz, each with 28 per cent of its voting shares. The other two companies, both Brazilian, are the Safra Bank and the

Souza Cruz sold nearly all

its preference shares in Ara-

cruz last year and intends to dispose of the remaining

shares, equal to 1.1 per cent of

the preference shares in issue,

as soon as possible.

Anglo American already has

significant investments in Bra-

zil, including several gold min-

ing properties and a half share in the Salobo mine system in the Amazon. Anglo and its

Brazilian partner CVRD are

studying possible investments

in the area, which has signifi-

cant deposits of copper, silver

Anglo American is making

the investment via its pulp

and paper subsidiary, Mondi. It is the company's first over-seas foray into pulp, although

it has forestry interests in

Mr Oliver Baring of SBC

Warburg, which acted on behalf of Anglo American,

described the investment as "a

natural extension" to Anglo

America's pulp and paper

Anglo is thought to have

been bidding against several other international companies.

When Souza Cruz announced

earlier this year that the stake

was for sale, it said it expected

Aracruz, which is one of the

world's largest cellulose com-

panies with annual sales of

more than 1m tonnes, said the

change in shareholders would

have little effect on

Some Cruz became a share-

holder in Aracruz in 1973.

soon after the cellulose compa-

Souza Cruz, which has been

divesting non-core businesses

since 1992, intends to retain

control of a cigarette paper factory it owns in Rio de

to raise at least \$230m.

operations.

ny's founding.

Janeiro.

Austria and the UK.

and gold.

private Lorentzen group.

trate on its core activities.

exporter.

South Africa for US\$250m.

US Industries sees in Aracruz turnround for year Celulose

US Industries, the conglomerate spun off by Hanson a year ago, increased net profit to \$18m, or 35 cents per share, in the second quarter, compared with \$10m on a like-for-like basis the year before. The company said it expected earnings in the range of \$1.55 to \$1.65 a share for the year, against a stated loss of \$1.84 last year.

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Net debt was almost unchanged from three months before, at \$790m, giving a debt to capital ratio of 64 per cent. USI assumed \$1.4bm of debt from Hanson at the time of the spin-off. The company said it was still on target to reduce net borrowings to \$650m \$700m by the September year end. Mr David Clarke, chairman, said the company had tentative

agreements to sell three businesses for slightly over \$10m. While several small purchases were planned, no big acquisitions had been found at the right price. "We have the financial capability to do a billion dollar deal." he said. "Our problem is there's an awful lot of money around. USI said it expected operating profits in the third quarter to rise 80 to 40 per cent in its consumer division, 15 to 20 per cent in building products, and 10 to 15 per cent in its industrial

division. All businesses been affected by severe winter weather in the second quarter. The company bought back 1.2m shares in the quarter at a cost of \$22m. It aimed to complete its programme of \$50m by

Tony Jackson, New York the September year end.

Kmart warns of \$61m charge

Kmart, the struggling US discount store group, warned that it would take an after-tax charge of \$61m, or 13 cents a share, in the quarter to the end of April – the latest in a long series of poor results. The charge relates to the disposal of its PayLess drug store chain to Thrifty, another US drug store chain, at the end of 1993.

When Kmart sold PayLess, it received \$592m in cash, \$100m of subordinated debt securities, and a 47 per cent equity stake in the newly-combined Thrifty and PayLess company, named TCH. TCH was controlled by Leonard Green & Partners, a Los Angeles-based investment firm.

Since then, the drug store company has announced plans to loat on the stock market through an initial public offering valuing the stock at \$14 a share. Kmart, which is selling some of its shares in the offering, said this had led to a revaluation of its holding, leading to the first-quarter charge. It added that it planned to "monetise" the rest of its holdings in the next 12 Richard Tomkins, New York

Equity funds prove attractive

Estimates of US mutual fund inflows in April suggest that investors increased their purchases of equity funds in the month. Flows into equity funds were estimated by the Investment Company-Institute, the mutual fund industry association, to have been \$23bn, up from \$20.5bn in March.

At that rate it was the second-highest month on record, after January's \$28.9hn flow into equities.

Most of the growth between March and April was through flows to global and international equity funds, according to Mr John Rea, ICI's chief economist. Flows in April were also boosted by people investing in retirement products to beat the tax deadline on April 15.

The Securities Industry Association said US investors bought \$98bn of foreign securities in 1995, the second-highest year on record after the 1993 total of \$143bn. Meanwhile, non-US investors poured \$230bn into the US securities markets

According to the ICI estimates, bond and income funds received no new money in aggregate, after flows into bond funds of \$1.79bn in March.

Final figures for April will be published towards the end of this month, but the estimates are reckoned to be accurate Maggie Urry, New York within \$500m.

BCE sees sustained recovery

BCE, Canada's biggest talecommunications group, expects a substantial improvement in 1996 performance following its first-quarter turnround, said Mr Lynton Wilson, chairman. The biggest subsidiary, Bell Canada, is restructuring and will continue to increase its contribution through the year. Mr Wilson said. Overall, BCR earned C\$254m (US\$186m), or 72 cents a share, in the first quarter, up from \$155m, or 44 cents, a year earlier.

Mr Wilson said BCE's total revenues will rise by 8 to 10 per cent in 1996, to more than \$27m. Robert Gibbens, Montred Robert Gibbens, Montreal

Credito Italiano S.p.A. 1995 results

too low to generate healthy

think lusacell is positioning to

try to bring down the price for

the part of the radio-electric

spectrum they need for local

service," said Mr Patrick Jur-

czak, of Nomura Research in

New York. "There's no way

that Bell Atlantic would walk

away from its investment at this point in the cycle."

"This is sabre-rattling. I

The AGM has approved the Financial Statements as at December 31, 1995. The highlights are given below:

	Lit. (in billions)	Pounds Sterling (in millions)
CAPITAL AND RESERVES (after distribution of profit as at the date of approval of the Statements)	5,431.0	2,209
LOANS TO CUSTOMERS	38,130.2	15,511
SECURITIES	16,461.9	6,697
DEPOSITS FROM CUSTOMERS	45,302.1	18,429
BALANCE SHEET TOTAL	97,653.6	39,725
GUARANTEES AND COMMITMENTS	24,293.8	9,883
SECURITIES HELD IN SAFE CUSTODY/ADMINISTERED ON CUSTOMERS' BEHALF	98,312.7	39,993
NET PROFIT	192,1	. 78

dividend of 35 and 50 lire on the ordinary and savings shares, respectively.

Furthermore, the AGM resolved to:

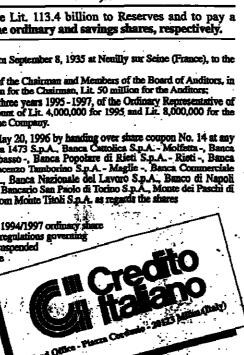
appoint Mr. Jean-Marie Weydert, born September 8, 1935 at Neuilly sur Seine (France), to the Board of Directors;

redetermine the 1996 remnneration of the Chairman and Members of the Board of Anditors, in the following amounts: Lit. 60 million for the Chairman, Lit. 50 million for the Anditors; determine the remnneration, for the three years 1995-1997, of the Ordinary Representative of holders of savings shares in the amount of Lit. 4,000,000 for 1995 and Lit. 8,000,000 for the years 1996 and 1997, to be paid by the Company.

The dividend may be collected as of May 20, 1996 by handing over share coupon No. 14 at any branch of Credito Italiano, Rolo Banca 1473 S.p.A., Banca Cattolica S.p.A. - Molfetta -, Banca Popolare del Molise S.p.A. - Campobasso -, Banca Popolare di Rieti S.p.A. - Rieti -, Banca Popolare di Spoleto S.p.A., Banca Vincenzo Tamborino S.p.A. - Maglie -, Banca Commerciale Italiana S.p.A., Banca di Roma S.p.A., Banca Nazionale del Lavoro S.p.A., Banco di Napoli S.p.A., Banco di Sicilia S.p.A., Istinato Bancario San Paolo di Torino S.p.A., Monte dei Paschi di Siena, Banco di Sardegna S.p.A. and from Monte Titoli S.p.A. as regards the shares held in custody by the laster.

Shareholders holding "Credito Italiano 1994/1997 ordinary share warrants" are reminded that, as per the regulations governing the same, the exercise of these will be suspended until May 21, 1996, i.e. the day after the aut of the dividend:

The countervalues in Pounds Sterling have been calculated applying the reference rate ed by Banca d'Italia on Pound Sterling 1.00 = Lit. 2458,22.



Notification of Dividend

The Annual General meeting held on May 9, 1996 confirmed the distribution of a dividend of DM 14 per share of nominal value DM 50 for the financial year 1995.

The dividend will be paid on or after May 10, 1996 net of 25 % withholding tax plus an additional surcharge of 7.5 % against submission of dividend coupon No. 14 as appropriate at one of the paying agents listed in issue No. 88, dated May 10, 1996 of the German "Bundesanzeiger" (Federal Gazette).

In accordance with the Double Taxation Agreement of November 26, 1964, as amended on March 23, 1970, between the United Kingdom and the Federal Republic of Germany, the withholding tax plus the mentioned surcharge in respect of shareholders resident in the United Kingdom is reduced to 15 %. To claim this reduction, shareholders must submit an application for reimbursement before December 31, 2000, to the Bundesamt für Finanzen, Friedhofstr. 1, D-53225 Bonn.

in the United Kingdom the dividend payment, which is free of charge, will be made in-Pounds Sterling with conversion from Deutschmarks at the rate prevailing on the day of submission of the dividend coupon and will take place through the London offices of the following Companies:

S. G. Warburg & Co. Ltd., 2 Finsbury Avenue, London EC2M 2PP.

Morgan Grenfell & Co. Limited, 23 Great Winchester Street, London EC2P 2AX.

The Board of Executive Directors **BASF Aktiengesellschaft**

D-67056 Ludwigshafen/Rhine May 10, 1996



Société Anonyme ared Office: 33, rue du Prince Albert, Izelles (Bruss Brussels Trade Register No 5554

The Company's shareholders are hereby invited to attend the Ordinary General Meeting to be held on Thursday 6th June 1996, at 10 a.m., 44 rue du Prince Albert at Ixelles (Brussels) to transact the following business:

Agenda

Special report in accordance with Article 60 of the Belgian Company Law, reports of the Board of Directors on the operations of the fi-nancial year 1995, External Anditor's reports.

Approval of the Annual Accounts for the financial year 1995 - Dis-tribution of net earnings and declaration of dividend.

Discharge to be given to the Directors and to the External Auditor for their acts during the financial year.

Board of Directors: Appointment of a Director to replace Mr. Claude Loutrel, who retured on September 30, 1995.

Appointment of a Director to replace Sir John Milne, who will relimine his position in conformity with the rules. c. Appointment of a Director to replace Mr. Jean-Marie Solvay, who terminates his term of office and, being eligible, has offered himself for re-election for a new term of six years.

d. Number of Directors to be set at fourteen.

5. Other husiness.

The Board of Directors hereby informs the holders of bearer shares that the following formalities must be observed in order to attend this

They are asked to lodge their shares temporarily and to have them de-posited at the Registered Office of our company or at J. Henry Schroder Wagg & Co Ltd., by Friday 31st May 1996. The bank mentioned above is authorized to designate other establishments where Solvay shares may also be longed validly. The list of these establishments will be published in due time through the bank.

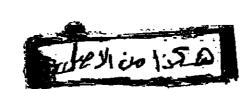
Proxies must reach our Registered Office by Friday 31st May 1996.

It is recalled that, in conformity with Article 78 of the Belgian Company Law, any stareholder is entitled to obtain free of charge, on production of his share; a copy of the annual accounts, of the reports of the Board of Directors and of the External Anditor.

Debenture holders, wishing to attend this meeting, are asked to comply

The Board of Directors

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FINANCIAL TIMES FRIDAY MAY 10 1996

COMPANIES AND FINANCE: ASIA-PACIFIC

Surprise at Swiss Telecom move

By Guy de Jonquières in Kuala Lumpur and Frances

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Switzerland's national telecommunications monopoly has agreed to pay \$300m in cash for 30 per cent of a company which seems set to be among the disappointed bidders competing to operate independent public telecommunications net-

works in Malaysia. Swiss Telecom plans to acquire a stake in Mutiara Telecommunications, a private company which is owned by Mr Vincent Tan, head of Ber-jaya, one of Malaysia's largest conglomerates.

Mutiara, which operates Malaysia's largest mobile communications network and which has built two satellite earth stations, was set up less than

two years ago. The company is believed by industry analysts still to be making a loss. The deal caused astonisb-

ment in political and financial circles in Kuala Lumpur yesterday. "I am very surprised at the price tag," said Mr Daim Zain-

uddin, senior economic adviser to Dr Mahathir Mohamad, Malaysia's prime minister. "Have they [Swiss Telecom] checked? Have they done due diligence?" However, Swiss Telecom said yesterday the deal would not be finalised until it had the

green light from the Malaysian authorities. The company said that if Mutiara were refused a licence to operate a public telecommunications network, this could influence the outcome. However, Swiss Telecom said

it was also interested in the development of Mutiara's existing personal communications network services. "We're confident that

[Mutiara] is a good company,"

Though Mutiara was one of five companies licensed last year to set up competitive public telecommunications services, the government has since decided that only three should go ahead. It has told the licence holders to consolidate through mergers or takeovers.

Mr Daim said the government had already decided that the three network operators would be Telekom Malaysia, the dominant carrier; Binariang, in which US West holds a 20 per cent stake; and Celcom, in which Deutsche Telekom is discussing acquiring an inter-

the three chosen service providers, it would be difficult to see much potential for its network," one analyst said.
"On that basis, the deal seems very expensive for Swiss

According to Mutiara, Swiss Malaysian company's facilities to develop a regional hub for its Asian traffic and would provide Mutiara with technical and operational expertise.

The proceeds of the planned Swiss investment, which must still be approved by the Malay-sian government, would be used to finance Mutiara's investments in the expansion of its mobile communications network and the launch of long-distance and international telecommunications services.

Mazda identity safe under Ford, says new chief

By Michiyo Nakamoto in Tokyo

Mazda, the Japanese carmaker in which Ford recently took a controlling stake, is on track to return to profitability and pursue a growth strategy, according to Mr Henry Wallace, the former Ford official who assumes the top post at Mazda

in June. Mr Wallace was named Mazda president last month when Ford announced it would increase its stake in the struggling car company from 24 per

cent to 33 per cent. He emphasised that the closer relationship between the two carmakers was aimed at deriving benefits from the synergies of two independent companies, rather than at integrating Mazda completely in to

"Mazda is a separate company. It is a worldwide brand and it is very difficult to build a worldwide brand, so why would anyone think about making that disappear? The fact that we are going to have a relationship [with Ford] does not mean we are not going to produce different cars," he

His comments were aimed at allaying widespread fears in - particularly in WMI - that the US company's larger

Mazda's independence. "This is a strategy to build Mazda. It is in our interests at Mazda and at Ford to build on Mazda's strong brand," said Mr Wallace, who will be the first foreigner to head a big Japanese carmaker.

To that end, Mazda will continue with its restructuring programme. The number of employees has already fallen from 30,000 to just below 26,000 and cash flow management has improved.

Mr Wallace said Mazda still needed to look for efficiencies. but not through forced redundramatic reduction in the product range. Instead, he said, it was looking at natural attrition of the workforce, rebalancing product lines to make capacity more flexible, and increasingly sharing platforms between different models. "The point is to give yourself an array of products, but at the same time rationalise platforms so that you can do that in an efficient way." Mr Wal-

Mazda has also adopted a four-part strategy to tackle the problems of its dependence on overseas markets - 50 per cent of its revenues come from outside Japan - and the concenwhere costs are among the

stake signified an end to highest in the world. Goodman pulls out of Bunge link-up

By Nikki Tait in Sydney

Goodman Fielder, Australasia's largest food manufacturer, yesterday pulled out of its proposed A\$800m (US\$640.6m) milling and baking joint venture with Bunge Industrial, part of the South American food group.

Following the due diligence process, the parties have not been able to agree on a mutually acceptable value for the assets involved," said Mr David Hearn, Goodman's chief execu-

The original deal, announced more than a year ago, would have seen the two companies pool their milling, baking and wheat starch businesses. This merged operation would have had sales of around A\$300m. with Goodman holding 67 per cent and Bunge, 33 per cent. According to Mr Barry Weir, Mr Hearn's predecessor, it

would have been one of the world's largest milling and baking entities.

However, the scheme fell foul of Australia's competition authorities, prompting Goodman and Bunge to hold new talks. In March, Mr Hearn said the groups had agreed a new scheme - this time, with approval from the Australian Competition and Consumer Commission. However, he declined to reveal details until due diligence had been completed.

Yesterday, Goodman acknowledged that the collapse of talks was disappointing, and that the merger would have meant cost-savings, in what is still seen as a difficult and competitive market. But it said one reason for not proceeding was the better performance of its own milling and baking operations in the 18 months since negotiations first started.

NEWS DIGEST

MIM oil and gas business for sale

MIM, the Queensland-based mining group, is continuing its restructuring by putting its oil and gas business up for sale. MIM has been shedding non-core investments, and pruning operations back to its main mining business. The process has gained fresh impetus recently. The group is currently spinning off its 65 per cent stake in Highlands Gold, the Papua New Guinea-based mining company, to shareholders for A\$238m

"MIM is focusing on minerals such as copper, gold and silver, lead and zinc." Mr Nick Stump, MIM's chief executive, said yesterday. "The oil and gas business does not fit strategically within MIM's minerals-based future." Mr Stump said the entire business would be sold, through a single,

In the context of the group, the oil and gas assets are relatively small. The main investments include an effective 7 per cent interest in the SE Gobe oil project in PNG. The company is also involved in the Bentu gas project in central Sumatra. It has further exploration acreage, notably in Australia and PNG. MIM said it would retain the south-west Queensland gas properties "because of their strategic value" to the main Mount Isa operations. Nikki Tait, Sydney

Lend Lease may float trust

Lend Lease, the Australian financial and property services group, is considering the A8500m public flotation later this year of a new property trust which would invest in its A\$1bn Darling Park project in the centre of Sydney.

The company, which is developing the project as a joint venture with Nomura Real Estate and Toyo Real Estate, said that by 2000 the area between Sydney's central business district and Darling Harbour would contain the existing IBM office tower; a second offer tower of similar size; and a waterfront and entertainment complex. These would be linked

by an urban park.
The trust would raise money to buy a half-share in the IBM tower, which houses the John Fairfax newspaper group, at independent valuation; a half-share in the second tower at cost; and at least 50 per cent of the waterfront assets, also at cost. Ord Minnett is advising on the scheme.

Kaal Australia buys Alcoa mill

Kaal Australia, a joint venture between Japan's Kobe Steel and Aluminum Company of America (Alcoa), is buying the rolled products division of Alcoa of Australia for A\$100m. Alcoa of Australia, the world's largest alumina producer, is owned by Alcoa in the US (60 per cent) and Australia's WMC (40 per cent).

Kaal Australia was formed late last year and has bought the

New South Wales-based rolling operations of Comalco, the intergrated aluminium company owned by RTZ-CRA. It said yesterday the combined operation of the two mills would provide a combined annual capacity of around 185,000 tonnes

Indo Gulf Fertilisers ahead

Indo Gulf Fertilisers, one of India's largest fertiliser manufacturers, lifted full-year pre-tax profits 8 per cent to Rs1 95bn (\$56.4m). Turnover in the year to March 31 rose 30 per cent to Rs5.66hn.

Net profits declined 18 per cent to Rs1.45bn because of a higher tax provision of Rs495m, against Rs114m. Earnings per share fell to Rs7.76 from Rs9.

The company's gas-based fertiliser factory at Jagdishpur in Uttar Pradesh raised urea production to 896,000 tonnes from 784,000 tonnes. The company said it would build a copper smelter with capacity of 100,000 tonnes a year at Dahej in Gujarat for Rs16bn. The project is to be commissioned in the **Eural Base Calcutta** first quarter of 1998.

Shiseido raises French interest

Shiseido, the Japanese cosmetics company, has bought the 50 per cent stake in its Shiseido France unit held by Pierre Fabre. No financial details were given. Shiseido said it had also reduced its stake in Pierre Fabre Japan to 50 per cent from 51 per cent, while Pierre Fabre's stake in its unit had risen to 50 AFX-Asia, Tokwo per cent from 49 per cent.

Carter Holt Harvey enjoys record year

By Terry Hall in Wellington

Carter Holt Harvey, the New Zealand pulp and paper group, edged ahead by 2 per cent to a record NZ\$453m (US\$311.9m) net profit for the year to March 31. The group pointed out that earnings had slowed sharply in the second half, reflecting highly competitive conditions and weak demand in several

Mr John Faraci, chief executive officer, said he expected

Christiania Bank og Kreditkasse

U.S.\$200,000,000
Primary Capital Undated Floating Rate Notes

Notice is hereby given that the Rate of Interest has been fixed at 5.875% and that the interest poyable on the relevant Interest Payment Date November 12, 1996, against Caupon No. 20 in respect of US\$10,000 naminal of the Notes will be US\$7,588.54.

May 10, 1996, London By: Citibank, N.A. (Issuer Services), Agent Bank CTTBAKG

the next six months to be diffi-cult, although the outlook was "certainly more positive" than three months ago. Signs were emerging of improving prices and demand in pulp and paper

markets. The company, which is 51 per cent owned by Interna-tional Paper of the US, said reduced housing starts in Australia had bit the company's building products businesses there and timber exports from New Zealand. This became

progressed. The rapid rise in international pulp and paper prices during the first half of the year did a "complete about-turn" in the second half. This was

reflected in the profit of NZ\$182m in the second half. compared with NZS271m in the first six months. Mr Faraci said the results were better than many of its competitors. The emphasis on value-added downstream pro-

cessing in wood products, tissue and packaging enabled the company to offset the commodity price declines.

Growth in the company's forest resource over the next decade would be committed to further downstream processing and finding markets that were less cyclical and offered strong prospects.

Earnings before interest and tax were NZ\$545m, down from NZS570m last year. Sales rose 13 per cent to NZ\$3.1bn.

BANQUE NATIONALE DE PARIS

more pronounced as the year

amme for the issuance of Debt lestruments USD 10.000.000 Floating/Flixed Rate Notes due 2005 Series 17 Tranche 1

Notice is hereby given that the rate of interest for the period from May 10th, 1996 to November 12th, 1996 has been fixed at 6.42891 per cent. per annum. The coupon amount due for this period is USD 33.216.04 per denomination of USD 1,000,000 and is payable on the interest payment date November 12th, 1995.

The Fiscal Agam

Sanque Nationale de Paris
(Lexembourg) S.A.

EQUITABLE CAPITAL DHO LTD. Note Interest Rate Resets Pursuant to the indenture dated as

Pursuant to the Indenture dated as of October 1, 1990, between the Issuer and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period April 30, 1996 through October 29, 1995, the Note Interest Rate applicable the Serior Notes is 6.39375% and to the Second Priority Senior Note is 7.34375%. Interest payable per 5.3000,000 principal amount of a Serior Note on October 30, 1996 Senior Note on October 30, 1996 will be \$32,501.56 and per \$1,000,000 principal amount of a Second Priority Senior Note will be

MARGINED CURRENCY DEALING

Flexible managed accounts

(2%-5%)

Dated: May 10, 1996

Limited liability guaranteed

■ Lowest margin deposits

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The redemption price and accrued interest on the Registered Notes are payable at the office of the Registrar, Transfer Agent and Paying Agent, The Chase Manhattan Bank, N.A., Corporate Trust Administration, 4 Chase Metrotech Center, Brooklyn, New York, NY 11245.

The Connecticut Bank and Trust Company

National Association as Trustee

Spain 900 994914 Switzerland 155 3548 OR CALL DIRECT

Tel: (49) 40 301 870

NOTICE TO HOLDERS OF UNITED MICROELECTRONICS CORPORATION USS160,000,000 1,25% BONDS DUE 2004 (the "Bonds") NOTICE IS HEREBY GIVEN that the Company's register of shareholders on Shareholders Roster will be closed between May 21 to May 25, 1996. No

ons from Bondholders will be accepted by the Company during such Pursuant to Article 165 of the ROC Company Law, the Company's Pursuant to Article 163 of the 160 company Law, the company is shareholders register must close for recordation for a period of 5 days before the stock dividend distribution day. The stock dividend distribution record day of the Company for the year 1998 is May 25, 1996.

To the Holders of

Middletown Trust

10%% Notes Series B due 1998

NOTICE IS HEREBY GIVEN that, pursuant to Article Eleven of the General Covenant, for the Sinking Fund due July 15, 1996 U.S. \$20,360,000 of the Notes will be redeemed at 100% of their principal amount plus accrued interest to July 15, 1996, when interest on the Notes redeemed shall cease to accrue. Following the above redemption, U.S. \$47,605,000 10%% Notes Series B due 1998 and U.S. \$37,205,000 11%% Notes Series C

The redemption price and accrued interest are payable against surrender of the Bearer Notes together with all coupons maturing subsequent to

July 15, 1996 at the offices of the Paying Agents outside of the United States listed below on or after July 15, 1996:-The Chase Manhattan Bank, N.A. Chase Manhattan Bank Woolgate House Coleman Street London EC2P 2HD

L-2338

Banque Bruxelles Lambert Avenue Marnix 24 1050 Brussels

Chase Manhattan Bank 63 Rue du Rhône

Luxembourg-Grund The serial numbers of U.S. \$20,360,000 Bearer Notes to be redeamed are as follows:

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sells 33% of its pubs for £262m

tive of Phoenix Inns.

Phoenix was a subsidiary of Morgan Grenfell, the merchant

bank, in a similar so-called

warehousing operation last

year, when it bought 1,750 pubs for £254m cash from Inntrepre-

Phoenix has since been

Inntrepreneur was created in

1991 to pool Foster's and GrandMet's 8,500 pubs after

Courage took over GrandMet's

brewing operations. Observers

have criticised GrandMet for

running the venture more like

a property company than a pub

Courage to Scottish & Newcas-

Mr Foster, who used to be chairman of Courage, said at

the time of his appointment

that there was "a helluva lot of

work to do on the structure

and strategy at Inntrepreneur

to unlock the value for the

reducing the debt to £500m

would make a lot of diff-

erence to the amount of invest-

ment he could make in the

core pubs, which stretch

between London. Bristol and

All the pubs which have

A number of the pubs bad

20-year leases that some of the

landlords found onerous when

the value of their pubs

declined during the recess-

The beer supply agreement -

originally with Courage, now

remains unaffected until

Royal PTE Nedection NV with its registered office in Groningen, The Ne

with Scottish & Newcastle

March 1998.

been put up for sale are ten-

Yesterday, he said that

shareholders".

Foster's has since disposed of

bought by Nomura, the Japa-

nese securities house.

inutrepreneur Estates, the pub joint venture owned by Grand Metropolitan of the UK and Foster's Brewing Group of Australia, yesterday sold a third of its pubs for £262m.

The buyer is Spring Inns, a vehicle set up in order to find an ultimate buyer for the 1,410

Inntrepreneur, which is retaining 2,900 pubs, will use the proceeds to cut debt from about £760m.

Analysts said the move marked a further step in the rebabilitation of Inntrepreneur, and could make flotation a more viable option.

The value of the pubs being

sold - which amounted to £185,000 each - implied the portfolio was high quality, and would attract buyers from regional brewers and expanding pub groups.

Mr Mike Foster, the chief

executive appointed last July, said the sale would reduce borrowings and give the group flexibility to invest in its

They would also be managed more intensely, with one manager looking after 40 to 50 pubs instead of 100 as now. 'It is all about financial headroom and management

focus," said Mr Foster. There was "nothing tricksy about the deal", which was merely a vehicle to perform a

Spring Inns, funded by a syndicate of banks led by Nat-West, is hoping to find a single buyer, but is open to offers for packages of pubs.

Its chief executive is Mr Dick Hayes, the former Courage director who was chief execu-

Inntrepreneur | Shell bares its soul-searching

R oyal Dutch Shell's management has succeeded in keeping a remarkably low profile in recent months considering the giare of publicity caused by the Brent Spar fiasco and the Ken Saro-Wiwa affair in Nigeria. But yesterday Mr Cor Herkströter, the company's Dutch president, emerged to give his first interview to the British

press since these rows broke over the company last year. Seated on the 24th floor of the Shell Tower on London's South Bank, he spoke of the soul-searching Shell has gone through, in the most traumatic of his four years in the job.

Quietly spoken, in a sober dark blue suit, Mr Herkströter is the epitome of the low-key Dutch businessman, bred in a country where change comes from consensus rather than confrontation.

The uproar over Brent Spar came as a surprise, he admit-ted. Shell was convinced it was doing the right thing in trying to dump the installation in the North Atlantic. "But we have now learnt that there is a difference between feeling you are right, and being perceived

Shell is still considering what to do with the Brent Spar, now moored in a Norwegian fjord.

Nigeria was different. Unlike the operational issues raised by Brent Spar, vital interests were at stake. Shell resisted public pressure to abandon a planned investment project after the execution of Ken Saro-Wiwa, the Ogoni activist. "We want a constructive solution. Leaving Nigeria doesn't get you that. It is much more constructive to stay there and do the right things, such as

Had Nigeria and Brent Spar done lasting damage to Shell? There was certainly nothing in yesterday's strong first-quarter results to suggest they had. And Mr Herkströter thinks

In any case, Shell has been

Cor Herkströter, the company's Dutch president, explains the group's priorities to David Lascelles



Cor Herkströter: I see no reason for pessimism if you have confidence in your own capabilities

going through an internal reor-ganisation which is now boosting profits. In January, a structure was introduced to shorten lines of communication and put individuals under stronger pressure to perform. Mr Herkstroter is pleased with the changes because they hold out the prospect of better returns on capital, though he declines to set a date when the target of 12 per cent will be achieved it was 10.6 per cent last year.

Like many of the world's top oil companies, Shell has stripped down to basics by selling its metals, coal and much of its chemicals operations. "We are back to the core business, where we see scope for substantial further develop-

The first quarter of this year was good because oil prices and refining margins were high. But those are largely

beyond Shell's control, and the benefits could melt away. Mr Herkströter wants to ensure Shell is always positioned to make the best of market conditions. However, he is not enormously bullish on oil prices. He sees a market with ample supply where the price pressure is, if anything, down-

He also sees economic storm clouds looming over Europe. "European countries are not doing as well as we had hoped two years ago. I am not think-ing in terms of a recession but of slower growth. "Europe has no choice if it wants to compete with the rest of the world," he says, stressing it is up to the politicians to follow the internationalist lead of companies like Shell.

Looking ahead, he thinks the main challenge facing Shell is to find at least as much new oil

confident it can do so by exploiting new projects in the former Soviet Union, the Gulf of Mexico and elsewhere in Latin America. "I see no reason for pessimism if you have sufficient confidence in your own capabilities." Shell will remain basically an energy company, he thinks, though in the longer run it may get into more exotic forms of energy, particularly if the environmental constraints on oil and gas

begin to bite. Much of what Mr Herkströter says comes back to the need to be more willing to listen and learn. So which companies does Shell think it can learn from? "We try to learn from everybody. If you have an edge over your competitors, it may last for only six months. That is the nature of the busi-

NEWS DIGEST

Scot Power plan for 'multi-utility'

Scottish Power, the vertically-integrated electric power group, is planning to challenge British Telecom and British Gas in central Scotland.

The company's plan to become a "multi-utility" – through its move into telecommunications and retail gas supply - is based on the belief that it can leverage existing customer loyalty. The idea was unveiled yesterday as part of the annual results presentation. Pre-tax profits rose 8 per cent to £404.8m (\$615m) in the year to March 31. Sales of £2.27bn (£1.72bn) included £439.4m from Manweb, the regional electricity company for Merseyside and North Wales, in the six mouths

since acquisition.

Mr Ian Russell, finance director, said he expected its Scottish Telecom subsidiary to achieve turnover of £300m in five years and pre-tax profits of more than £20m. Similar figures were expected from retail gas supply, but that business had the potential to make more money over a shorter time scale. Scottish Power has 1.7m retail electricity customers, of which 1m are also British Gas users.

Scottish Telecom received investment of £60m and incurred a small loss last year – its first full year of operation. It is budgeted to break even this year. Mr Russell said it might need up to £40m further investment. He said the gas business would not require investment in fixed assets, but systems changes, primarily in the billing area, to enable it to charge for more than one service.

"There cannot be too many companies who have 1m customers they can cross-sell to," Mr Russell said. "Come 1998 we will be able to sell to those customers." Simon Holberton

Lyonnaise to shed stake

Lyonnaise des Eaux is looking for other investors to share the burden of its involvement in Northumbrian Water and help recoup some £500m of the £823m it paid for the group last year The French company intends to sell a total of 25 per cent in Northumbrian Water Group - which includes a number of smaller supply companies as well as Northumbrian Water thereby reducing its investment to about £250m.

A joint venture company formed by Lyonnaise Europe and United Water Resources, a New Jersey-based concern, bought a 20 per cent stake in Northumbrian on Wednesday for £159m. UWR is 26 per cent owned by Lyonnaise des Eaux. The French group said it intended to place a further 15 per

cent with institutional investors. Mr Mike Taylor, Northumbrian group finance director, said: "It is part of Lyonnaise's philosophy to retain management control without owning 100 per cent of a company...it's

different to UK business philosophy.' The deal was described by one City analyst as "a piece of -French rigmarole."

Other subsidiaries in which Lyonnaise owns a 60 per cent plus stake include Degrement, its water purification unit. As part of its agreement with Ofwat, the industry regulator. the French group also agreed to relist Northumbrian by 2005.

BAT arm sells Aracruz shares

Souza Cruz, the Brazilian subsidiary of BAT Industries, is salling its 127.5m common shares in Aracruz Celulose, the Rio de Janeiro-based pulp producer, for \$250m (£164.4m). The buyer is Mondi Brazil, a subsidiary of the Anglo American Corporation of South Africa. The profit for BAT is expected to be about \$50m before tax and minorities. Aracruz is the world's largest producer of bleached nardwood kraft market pulp and the stake represents 28 per cent of its voting shares and 11 per cent of its total capital. The disposal reflects Souza Cruz's strategy of focusing on its core tobacco business and virtually completes the divestiture

BTR in Chinese joint venture

of its interest in Aracruz.

BTR is spending £5.8m on a joint venture to manufacture plastic food and drinks containers in China. The industrial group has acquired a 40 per cent stake in the Beijing Greatwall Piastics Company – it makes polyethylene terephthalate (PET) packaging - from China Beverages and

Foodstuffs import and Export Corporation and a further 30 per cent from Hong Kong-based AS Watson. BTR indicated that its stake would increase to 80 per cent under an agreement with the Beijing Dongguantou Allied company, its remaining joint venture partner in the business.

LFT option on gold project

London Fiduciary Trust, the Aim-listed gold miner with operations in the Philippines, has taken an option to pay \$10m (£6.6m) for the Masbate gold project on Masbate Island, and an option to pay not more than \$2m for the Banahaw gold project Mindanao Island.

If the acquisitions are completed they would increase LFT's proven and probable reserves from the 879,000 ounces reported last year to 4.9m cunces. Mr Fred Mason, new head of operations, said these and LFT's existing Masara mine, had the potential to lift group annual production to 200,000 ounces by the end of 1997. Kenneth Gooding

Final 1995 dividend

holders held on May 9, 1996 has declared a 1995 dividend of NLG 2.60 per ordinary share of NLG 10 par value. After deduction of the interim dividend of NLG 0.90 already paid out in 1995, the final dividend will be NLG 1.70 per ordinary share.

Depending on the preferences stated by the shareholders, the final dividend will be paid out entirely in cash or entirely in ordinary shares. Payment in ordinary shares may be charged against the additional paid-in capital or, if desired, against the other reserves.

The final dividend will be payable on May 23, 1996.

In exchange for dividend rights the holders of ordinary shares who have opted for payment in shares will receive one ordinary share of NLG 10 par value, entitling them to a full share of the net income in 1996 and subsequent years. Dividend rights must be submitted to ABN AMRO Bank N.V. in Amsterdam, ING Bank N.V. in Amsterdam or Rabobank Nederland in Utrecht.

Shareholders who have opted for a dividend in cash will receive NLG 1.70 on their dividend rights, less 25%

Holders of ordinary shares will receive the dividend of their preference through were held in deposit at closing time on May 9, 1996.

The member firms of the Association for Security Transactions will receive the compensation stipulated in the 90-56 circular to enable shareholders to exchange their dividend rights free of

The Board of Management

Groningen, May 10, 1996

at Willis Corroon "There isn't a market that insurance Correspondent we operate in which isn't at

First quarter fall

Willis Corroon yesterday warned that trading conditions in insurance broking continued to deteriorate as it announced first-quarter 1996 pre-tax profits of £48.1m (\$78.1m) down from £48.5m last time.

The figures highlighted the difficulties Willis faces as falling insurance premium rates and fierce competition curb turnover growth and offset the beneficial effects of a sweeping cost-cutting programme launched 18 months ago.

Mr John Reeve, executive chairman, said Willis continues to review all its operations and group strategy.

He did not rule out takeovers or mergers among the world's six biggest brokers, which include Willis, but said he was "highly sceptical about the risks involved in amalgam-

Willis increased turnover in the three months to March 31 to £198.5m against £195.5m last time, despite substantial pre-

RESULTS

least soft and some of them are worse than that," said Mr

Reeve. Recent marine rate reductions have approached 25 per cent, he added. Willis attracted new business to offset the falling prices. It said its cost-cutting proeramme, latinched in Novem ber 1994, would save £39m this year. But the impact of those

savings were not fully reflected in these figures, which show expenses on continuing operations of £162m (£160m). In addition, the disposal of interests in Heddington Brokers and Gryphon Holdings, the US insurance group, cut Willis' share of profits from associates from £5.5m to £2.4m.

The group said disposals and the timing of some contracts would mean the first quarter profits would contribute a lower proportion of full year profits than in the past.

Mr Reeve expects to give details of future restructuring in November.

Total last (2.63 (12.32 (11.5 (5.79 (1.27 (7.8) (13.9 ± (8.5) (26.5) (12.7) ... 6 miths to Mar 31 . 53 weeks to Mar 2 ... 6 mits to Mar 31 (-) (208) (31.9) July 18 July 26 3.36 4.8 July 1 July 18 Aug 1 July 15 38.1 6 miths to Feb 28 21.5 6 miths to Mar 31 38.1 Yr to Feb 29 107.7 (0.855**V**) (0.741) (9.55) (0.075L) (14.1) (12.8) (98.8) (1.52) (22,642) (1,716) (10.2) (31.49) (115) (22.5) (195.5) 2.31 26,040 5.3 19.1* 33.82 16.76 7.4 5.07 (1,297±) (375.3) (11.1) (0.45) (0.701L) Oct 1 July 1 July 1 2.272 that Power ... Yr to Mar 31 13.65 . Temkinsons Ugland Inti ... Vaex 6 milites to Mar 30 9 miths to Dec 31 28.83 6 miths to Mer 16 125 Yr to Feb 29 27.2 3.71 10.2 · 8 6.6

Cent Buro Growth \$5 3 matrix to Mar 31 100.1 (74.6#) 0.936|. (-) 0.44L (-) 0.64 Emrings shown basic. Dividends shown not. Figures in brackets are for corresponding period. After exceptional charge. Writer exceptional credit. †On increased capital. ØAlian stock. Strink currency. III Comparatives for yr to March 31. *After tax. *For Shell Transport. Semings for Royal Dutch were FI 5.22 (FI 3.98). ‡Second Interim, making 3.5p to date. \$\$US currency. ‡£At December 31 1995. \$\$Gross,

SELECTION FUND Société d'investissement à capital variable Registered Office: 5 rue Höhenhof, L-1736 Semningerberg R.C. Luxembourg B8202

NOTICE TO SHAREHOLDERS

SCHRODER INTERNATIONAL

1. ANNUAL GENERAL MISETING OF SHARKHOLDERS
of Schooler International Selection Fund. will be held at its registered office at 5 rue
Höhenhof, L-1736 Senningerberg, at 11.00 am on Tuesday 28th of May, for the purpose of
considering and voting upon the following matters: **AGENDA**

Acceptance of the Directors' and Anditor's Report and approval of the financial statements for the year ended 31st December 1995.
 Distribution of final dividend
 Discharge of the Board of Directors and Anditor
 Re-election of Directors
 Re-election of Anditor
 An other Instinct

Any other business

Schroder

2. VOXING Resolution on the items on the agenda will require no quotum and will be taken on the majority of the votes expressed by the shareholders present or represented at the meeting 3. RECUSTERED SHAREHOLDERS
Registered shareholders who cannot attend the meeting in person are invited to send a duly completed and signed proxy from to the registered office of the company to active not later than May 24th, 1996.

4. BEARKE SHARKHOLDERS
In order to take part in the Meeting of 28th May 1996, the owners of beater shares must deposit their shares five business days before the meeting at the registered office of the

Company as set out above, or with Securities Department
Schroder Investment Management Limited

Proxy forms for the meeting will be sent to registered shareholders with a copy of this Notice and can be obtained by beant shareholders from the registered office. The Board of Director

BANQUE NATIONALE DE PARIS

Programme for the Issuance of Debt Instruments USD 150,800,800 iling Rate Notes dee 2006 Series 57 Tranche 1

Notice is hereby given that the rate of Interest for the period from May 10th, 1996 to August 12th, 1996 has been fixed at 5.75 per cent, per annum. The coupon amount due for this period is USD 150.14 per denomination of USD 10,000 and USD 1,501.39 per denomination of USD 100,000 and is payable on the interest payment date August 12th, 1996.

BNP The Fiscal Agent
Basque Metionale de Paris
(Laxambourg) S.A.

The Republic of Panama

US\$417,402,000 Floating rate serial notes 1996-2002

The notes will bear interest at 6.62891% per annum for the interest period 10 May 1996 to 12 Nooember 1995, Interest payable on 12 November 1996 will be US\$34.25 per US\$1,000

Agent: Morgan Guaranty Trust Company **JPMorgan**

Citibank is the top forex bank again

Citibank is the top global from seventh to fourth and foreign exchange bank for the Barclays recovered to reach 18th year in succession, according to the closely-watched Euromoney annual survey released yesterday, although the new Chase, formed out of the merger between Chase and Chemical bank, ran them a... close second.

The paper, based on a global survey of companies, investors and state agencies, calculates that Citibank has 9.1 per cent of the forex market, compared with 9.04 per cent for Chase. British banks did well, with HSBC maintaining third posttion, while NatWest climbed

the number seven slot from number 11. HSBC's market share of 6.5 per cent was some way behind the two US banks. The most dramatic move

came from Deutsche Morgan Grenfell, which shot into the top ten, to number nine, from 22 last year. London and New York, ahead

Chase was voted top bank in of HSBC and Citibank respectively, but Euromoney warns that the coincidence of the merger and the survey may have flattered the results in Chase's favour.

The Chartered Institute of Bankers Presents:

RUSSIA: THE PROSPECTS FOR REFORM

> Wednesday 15 May -London

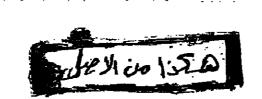
one-day conference chaired by Sue MacGregor Presenter BBC Radio 4 Today Programme. Speakers include: Yegor Gaidar, former Prime Minister and Sergei Yegerov, President of The Association of Russian Banks.

Contact: Kathy McCall, Courses and Conferences Unit for further details on Tel: 0171 444 7117 Fax: 0171 444 7115

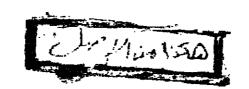
ASFINAG Autobaknen- und Schnellstrassen-

Guaranteed Floating Rate Notes due 1996 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 9th August, 1996 has been fixed at 5.40% per annum. The interest secruing for such three mouth period will be U.S. \$138.00 per U.S. \$10,000 Bearer Note, and U.S. \$1,380.00 per U.S. \$1,380.00 per U.S. \$100,000 Bearer Note, on 9th August, 1996 against presentation of Coupon No. 15.

Union Bank of Switzerland London Branch Agent Bank



Finanzierungs- Aktiengesellschaft U.S. \$200,990,900



COMMODITIES AND AGRICULTURE

Gold report says physical demand hit record in 1995 Geneticists compile

Mining Correspondent

MAY 10 1996

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Demand for physical gold rose to a record 3,355 tonnes last year, according to the Gold Fields Minerals Services consultancy organisation, 2.4 per cent above the previous peak of 3,277 tonnes set in

Jewellery fabrication accounted for 2,749 tonnes of demand last year, showing a 6 per cent rise from the 1992 record of 2,519 tonnes.

This was again well above world mine production, which showed a modest fall for the second consecutive year, by 0.4 per cent to 2,272 tonnes. The main reason was a 10 per cent drop in output in South Africa. the biggest producer.

Western Worl	d Gold Supply as (tonnes)	nd Demand in 1995	
Supply		Demand	
Mine production	1,890	Fabrication:	
Former communist bloc sales	102	Jewellery	2.537
Net official sales	232	Electronics	185
Old gold scrap	583	Other	285
Forward saled	461	Bar höärding	281
Option hedging	87	Gold Joans	23
		Implied investment	44
Total	3,355	Total	3,355
Cource GFMS			

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demand was filled partly by record hedging of future mine production and partly by sales by central banks.

GFMS suggests that the hedging provided a net 461 tonnes of "accelerated gold supply" to the market in 1995 compared with 163 tonnes in of mine production and scrap

1994. Sales by central banks rose to 201 tonnes, more than double the 1994 level. Mr Stewart Murray, GFMS chief executive, said yesterday after launching the organisation's latest annual gold market survey: "The present level

is still insufficient to meet the demands of fabrication and bar 682 tonnes was filled by increased producer hedging and to a lesser extent by official sector sales.

"The question this year is least 203 tonnes of go firstly whether a similar level Belgian central bank.

of hedging will be seen again and, secondly, whether there will be any further official sector sales, perhaps in the run-up to European monetary union. If this does not prove to be the case, where will the market find the additional supplies required to fill the supply-demand gap?"

Mr Murray suggested that the rally in the gold price early this year had "certainly dis pelled any notion of \$400 [a troy ounce) as being an impenetrable barrier."

It was not surprising, be said, that the rally proved unsustainable as it had coincided with a period of seasonally weak demand and at the same time the market had to contend with the sale of at least 203 tonnes of gold by the

central banks kept the market liquid by lending or selling more than 700 tonnes of gold from their reserves last year and this was reminiscent of the position in 1992 "which also saw a massive official mobilisation being absorbed by a

strong physical market. The significant difference in 1995 was that it did not require a steadily falling price to bring this about. However, it needs to be remembered that the gold price in 1995 was scarcely higher in real terms than in 1992 and, with the growth in prosperity over the last four years, gold has become more affordable in many markets".

Gold 1996: £75 or US\$120 from GFMS, Greencoat House, Francis Street, London SW1P 1DH.

Yet despite impressive

growth targets Orimulsion is

unlikely to make a major

with Price Waterhouse in Car-

He added that "there's suffi-

cient demand out there but

Orimulsion's growth will

depend more on supply-side

questions, such as expanding

production capacity and

still put a premium on Orimul-

sion. "Most clients who receive

shipments directly from Vene-

Navarro of Bitor. "That means

that smaller ships are used and

the cost per tonne increases." According to the Petroleum

Intelligence Weekly freight

accounts for 25-35 per cent,

compared with 5 to 10 per cent

Indeed, shipping restrictions

mproving infrastructure.

cocoa catalogue

By Deborah Hargreaves

Researchers at Reading University are harnessing technology developed to track lown criminals in a project to catalogue the world's different varieties of cocoa plants.
The technique involves

genetic fingerprinting of all types of cocoa trees, providing a bank of information on different varieties. The research is being funded by a grant from a new company, Cocoa Research UK which was set up yesterday with £2.2m funding from the government.

"This is a new way of using molecular biology which has been developed in the UK," said Mr Eric Beauchamp, secretary of the new company. As most of the world's cocoa is grown by individual farmers on small plots, growers often

do not have enough money to fund their own research. Most hi-tech cocoa crop research is done in the UK and the US where chocolate-makers need to depend on a consistent, high quality supply of cocoa beans. Mr Beauchamp said the

cocoa trees would be used by growers to match varieties for cross-breeding to produce hardier strains. "The cocoa tree is prone to all manner of diseases and attacks by pests for which there is no answer except to breed disease-resistant trees.

Around 3m tonnes of cocoa beans are grown a year, mainly in West Africa, central and south America and Southeast shoot virus and witches broom

can quickly decimate a crop. The Reading project will first catalogue the varieties of cocoa trees growing in greenhouses in the UK, then it will import leaves from cocoa trees around the world so that by the end of the year it can produce a report with genetic details of

Mr Beauchamp said the new company would concentrate on funding research into growing and handling cocoa. long term we want to transform and alter the way the trees produce cocoa to make them more efficient and resistant to diseases and pests," he

Venezuelan fuel generates increasing interest

Orimulsion has achieved considerable world market penetration in recent years, writes Raymond Colitt

enezuela's trademark boiler fuel, Orimulsion which was first put to commercial use in 1991, continues to face regulatory difficulties and provoke controversy. Nevertheless it is penetrating world markets and has seen its sales increase considerably in

The fossil fuel based on natural bitumen from Venezuela's vast Orinoco hydrocarbon belt. was designed specifically to run power plants and is pro-duced by Bitumenes Orinoco (Bitor), a subsidiary of the state oil holding company PDVSA. Sales in 1995 grew 42.4 per cent to 3.56m tonnes and with a number of commercial contracts in the pipeline sales could reach Bitor's current production capacity of 5.8m

tonnes in one or two years. Taiwan recently provisionally approved a 1,500MW power plant that would run on 3m to 4m tonnes a year of Orimulsion in four years. In January of this year Bitor renewed a contract with Denmark's SK Power Asnaes Plant, more than doubling shipment from previously 600,000 tonnes to 1.5m tonnes a year. Argentina's Central San Nicolas power plant is to receive a trial shipment of Orimulsion in

coming months. Some of the environmental concerns over Orimulsion's high sulphur content have in part been eased by advances in environmental technology. albeit costly, as well as a decade of laboratory studies and commercial use since 1991 in Canada, the UK and Japan. Environmental agencies in Europe and the US have handed down favourable verdicts. Yet converting to Orimulsion is not viable for all power plants. The cost of retrofitting equipment varies with each plant and can be inhibiting in some cases.

Convincing consumers and regulators with technical, environmental and economic feasibility studies takes time. "From the day we begin talks with a customer to the day we sign a contract takes years," says a Bitor executive. Tough competition in the energy market has turned Orimulsion into

Jan Sap Dec Total

1070-71

1081.5-82

Precious Metals continued ■ GOLD COMEX (100 Troy az.; \$/troy az.)

E PLATERIM NYMEX (50 Troy oz.; \$/troy oz.)

544.7 _1.8 548.0 543.5 19.138 68.552

Getting Orimulsion approved by the Italian government took six years and talks with the Chinese had been under way for four years when, earlier

a political issue in many coun- Florida Light and Power Company, was recently put on hold as Florida's state commission and its governor denied the the fuel. FL & P has already appealed against the decision. this week, Venezuela secured a while Bitor's president Mr

By the year 2000 Bitor expects to be selling 20m tonnes a year

Petroleum Corporation to deliver 500,000 tonnes of Orimulsion. After a trial period, during which the fuel will be used in power generation and steel production. CNPC will consider investing an estimated \$320m to set up an Orimulsion production plant with a capacity of 5.2m tonnes. In Britain approval of the second commercial contract with National Power's Pembroke plant over initially 2m tonnes a

year is still pending. Bitor's largest deal so far. a contract to supply some 4.2m

tonnes a year of Orimulsion to

deal with China's National Jorge Semelas has admitted that the project's failure would set a precedent in the US market and have serious conse-

> Orimulsion. Mr Semelas said the project was not rejected for environmental reasons. The US Environmental Protection Agency and a local environmental nongovernmental organisation, among others, approved it.

quences for the marketing of

Instrumental in penetrating new markets has been Bitor's association with foreign distribution partners. A joint venture with Mitsubishi Corporation has produced contracts

IN COCCA LCE (Extenne)

Japan worth 800,000 tonnes and has led to feasibility studies in Thailand, the Philippines and Malaysia.

Indeed, Orimulsion is emerging as a cost-attractive alternative to fuel oil and coal even in emerging economies. According to Petroleum Intelligence Weekly, the fuel's delivered cost to major markets varies between 70 cents and \$1.15 per million Btu. Bitor representatives say that the attraction of Orimulsion is that its price, unlike that of fuel oil, is likely to remain stable over the next decade, closely pegged to but below coal prices.

Confidence in growth of future sales was underlined by the recent joint venture between Bitor, the US oil company Conoco and Norway's Statoil to construct a \$320m plant to produce around 5m

tonnes of Orimulsion a year. By the year 2000 Bitor expects to be selling 20m tonnes a year. It says bitumen reserves in the Orinoco belt will last well into the 22nd cen-

impact in the world energy market in the near future. "It's genetic information about the interesting, it's competitive but Developing world 'needs I don't think [Orimulsion] is going to be a great force in the world market anytime soon." to treble grain imports' said Mr Steve McAllister, US director of petroleum services

Imports of grain by countries in the Middle East, Asia and developing nations will have to treble by 2020 if these countries are to feed their growing populations, according to Professor Tim Dyson at the London School of Economics.

Prof Dyson believes cereals growing countries in North America and Europe will be able to feed the soaring global zuela do not have deep-sea port facilities," explained Augusto population by planting more and doubling the use of nitrogen fertilisers.

"I have no doubt that current high grain prices are a short term phenomenon that will be rectified in a few years," he says. He points to the number of hectares under

cultivation globally, which has dropped from 703m to 689m in the past six years, leaving spare capacity to increase cereals output.

However, countries in sub-Saharan Africa are unlikely to be able to foot the bill for increased imports to cope with population growth leading to a drop in per capita consumption in those countries.

Rising imports of cereals will also be necessary because of the "westernisation" of the diets of many countries - even in Africa, Prof Dyson sees wheat consumption replacing more traditional roots and tubers as people move to cities Population and Food, Global Trends and Future Prospects, published by Routledge.

COMMODITIES PRICES

BASE METALS LONDON METAL EXCHANGE (Prices from Amagaritated Metal Trading) M ALUMINIUM, 99.7 PURITY (\$ per tonne) 1641-42 1674-75

Kerb close BQ.475 # ALUMINIUM ALLOY (\$ per tonne) 1363-68 5,631 902 Open int. Total daily turnover E LEAD (\$ per tonne) 869-71 857 856-57 High/low AM Official Total dally turnover MICKEL (5 per tonne) 8460-65 8560-65 High/low AM Official Kerb close Open int. Total daily turnover Till (S per Lonne) 6570-71 6565-75 Kerb close 18,689 5,001 M ZINC, special high grade (\$ per tonne)

Kerb close 176,399 90,155 ■ LME AM Official E/S rate: 1.5238 LME Closing E/\$ rate: 1.5200 Spot: 1.5221 3 miles: 1.5201 6 miles: 1.5186 9 miles: 1.5181 HIGH GRADE COPPER (COME) 11,340 53,328

1055.5-6.5 1045 1045-46

74,457

12,168

AM Official Karb close Open int. Total daily turnover

COPPER, grade A (5 per tonne)

PRECIOUS METALS LONDON BULLION MARKET (Prices supplied by N M Rothschild) S orice 392.60-393.00 392.70-393.10 393.20 258.381 484.619 392.70 257.931 485.371 Day's High 363.70-394.10 Day's Low 392.40-392.80 Previous close 393.80-394.20 Leco Ldn Mean Gold Leeding Rates (Va USS) 1 month _ 2 months . 3 months . __4,50

Silver Fix

3 months

6 months

Gold Coins

Krugenand Maple Leaf New Sovere

Hov Total WHIEN (42,000 US gails ; clus gails.) _1.27 68.90 66.65 17.067 31.408 _1.03 65.45 63.80 6,928 19.196 543.25 549.65 -0.55 61.75 60.80 3,087 14,096 -0.30 58.90 58.25 1,071 3,526 1,071 3,526 276 1,315 87 992 557.30 569.70 1.25 55.60 55.60 - 53.90 53.80 -0.25 € equiv. 258-260 403,55-406.10 93-96

GRAINS AND OIL SEEDS MI WHEAT LCE (E per tonne) 12950 -0.40 130.50 12950 132.00 - 132.50 131.50 117.50 +0.95 117.50 117.50 119.20 +1.95 119.25 118.40 75 2,961 50 995 - 140 329 8,574

557.25 -5.75 666 00 645.00 353 532 597.00 +8.00 508.00 591.00 15,238 58,857 \$84.00 +9.00 \$02.00 \$87.00 2,770 14,335 \$600.00 +8.50 609.00 585.00 2,867 16,028 581.00 +5.00 500.00 588.00 188 1,358 \$28.00 +8.00 540.00 535.00 57 188 21,543 82,739 MADZE CBT (5,000 bu mint cents/56tb bushel) 508.00 +7.25 510.50 498.50 2.222 7.200 483.50 +8.75 485.00 475.00 34.120164.432 397.75 +6.00 400.00 397.00 15.758 83.030 340.50 -0.25 345.00 338.00 35.24 139.295 346.00 - 350.00 344.00 993 15.334

ENERGY III CRUDE OIL NYMEX (42,000 US calls, \$/berrell) 19.22 13,256 55,853 18.85 4,771 37,998 18.85 1,205 24,089 18.50 1,364 16,279 17,88 17.65 3,024 22,691 751 12,533 86 7,854 924 4,518 III HEATING OIL NYMEX (42,000 US gails; c/US gails.) -1.17 55.30 53.70 9.956 22,485 -0.61 53.20 52.10 4,701 16,615 -0.31 52.45 51.90 1,743 13.565 -0.06 52.75 52.30 638 7,691 -0.01 53.30 52.90 1,177 4,519 -0.01 54.00 53.50 713 4,251 1,177 4,519 713 4,351 28,994 87,083 Noy Jun Jul Oct Jan Apr Total

161.25 -1.00 162.00 161.00 524 6.499
181.75 -0.50 162.50 161.25 383 3.343
162.25 -0.50 182.75 162.00 96 1.994

PAL CAS IMPROV NATURAL GAS NYMEX (10.000 mm8tu.; \$/mm8tu.) 2210 +0024 2240 2182 10244 26248 2250 +0.015 2280 2230 5,385 24,195 2240 +0.022 2270 2215 2223 16,726 2220 +0.034 2235 2185 1.522 15.071 2220 +0.048 2240 2185 1.729 11,880 2220 +0.048 2240 2185 1,729 11,880 2250 +0.032 2260 2230 576 7,985

-0.3 398.2 398.7 5,377 25,056 -0.3 399.7 399.7 33 5,628 -0.3 403.5 402.0 4,480 31,146 33 5,628 408.1 -0.2 408.8 407.2 2,792 19,570 411.0 -0.2 411.0 411.0 53 3,644 53 3,644 46 955 2 1,318 2,848 26,487 PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 135.25 -0.45 136.00 134.50 496 4,465 138.40 -0.45 135.50 135.50 238 3.228 137.50 -0.45 139.00 139.00 120 558 735 8,251 SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

- 353.00 347 00 46 1,743 - 353.00 347 00 46 1,743 110,713 199,728 BARLEY LCE (2 per torme) 113.75 113.75 10 M SOYABEANS CET (5,000bu mir: cents/60b bushel) 812.50 -6.50 820.00 810.00 1,788 3,416
819.25 -6.25 830.00 816.00 35,911 80,742
818.50 -6.00 828.00 815.00 2,430 11,832
786.50 -5.00 800.00 785.00 546 8,318
783.00 -6.25 782.00 780.50 15,799 73,465
789.00 -5.25 796.50 787.50 198 6,800
87,081 191,883 SOYABEAN OIL CET (60,000lbs: cents/lb) 27.50 -0.30 28.00 27.60 3.251 2.300 27.91 -0.33 28.37 27.83 11.919 55.186 28.10 -0.29 28.40 28.05 626 10,658 28.25 -0.27 28.54 28.25 1,312 5.340 28.38 -0.25 28.50 28.50 3.544 19,278 28.55 -0.26 29.00 28.52 3,544 19,278 May Jul Jul Sup Oct Dec Tetal 22,141 100,102 SOYABEAN MEAL CET (100 tons; \$/fon)
 248.8
 -0.8
 249.0
 246.5
 3.375
 2,783

 252.3
 -0.8
 254.0
 250.5
 11,920
 51,788

 252.0
 -0.8
 253.7
 250.8
 2,709
 11,174

 248.2
 -0.8
 249.5
 247.0
 75.4
 7,326

 243.9
 -1.1
 245.5
 242.8
 40
 3,225

 243.5
 -1.1
 245.5
 242.8
 3,782
 17,415

 247.9
 -1.1
 245.5
 242.8
 3,782
 17,415

 247.9
 -1.1
 245.5
 242.8
 3,782
 17,415
 754 7.326 40 3,295 3,782 17,415 23,121 96,543 128 5 -1.5 - 118.0

225.0 -82.5 -10 110.0 -128.5 -+10 1412 1405 51 751 +2 1310 1305 35 525 -7 1271 1250 21 1386 +12 1365 1350 48 1,032 +10 1385 1385 - 57 -7 - 32 1362 1388 1413 715 4.386 FUTURES DATA

Prices at suctions this week held up well and clearances were better. Fine Merinos were a strong feature in Australia. New Zealand offerrigs were mainly second shear wools. Althou both Dollars were static this week they ram toni tonias were static us week my remain etrong ageinst most major currencies. The weakening South African Rend lead to an increase in Menro wood proces. The Australian Market Indicator was 6cts highly at 550, New Zealand's 2cts lower at 443. In wood using merkets, particularly continental Europe, busi-ness is still poor. Sales to consumers are down on reduced demand and higher prices impossi-ble to pass on.

1136 1037 1018 547 27,152 1016 1,058 34,162 1026 55 17,893 -3 1360 1380 10 102 -3 1402 1380 5,555 31,083 -5 1411 1390 2,339 18,195 -5 1425 1405 564 17,672 -10 1420 1412 238 13,799 -10 1447 1427 180 4,955 E COCOA (ICCO) (SDR's/tonne) COFFEE LCE (\$/tonne) +5 1879 1940 267 1,756 -5 1970 1918 1,850 15,873 - 1867 1821 415 5,950 -2 1965 1828 29 3,005 +6 1915 1909 198 1,731 +9 1885 1885 20 661 ■ COFFEE 'C' CSCE (37,500ths; cents/lbs) 128.30 -1.70 130.60 126.45 115 687 127.00 -1.75 129.90 123.00 6,442 20,431 125.55 -1.95 128.50 123.00 1,136 123.55 -1.95 125.50 122.00 368 121.95 -1.55 123.50 121.50 169 121.90 -0.60 122.25 121.50 31 - 371.0 369.0 396 12.027 - 338.0 338.0 24 5.351 - 328.0 228.0 6 3.398 - 328.5 327.2 22 2.882 - 327.4 327.4 9 1.154 - 327.9 327.9 9 2.77 # SUGAR '11' CSCE (112,000lbs; cents/lbs) 10.78 -0.09 10.84 10.68 23,480 54,803 10.68 -0.10 10.73 10.63 4,461 35,871 10.72 -0.08 10.75 10.68 4,742 25,516 10.69 -0.06 10.99 10.67 1,737 6,860 10.64 10.62 371 3,503 10.56 -0.06 10.58 10.62 371 3,503 10.56 -0.06 10.58 10.56 122 1,754 COTTON NYCE (50,000lbs; cents/lbs) 84.40 -0.6 85.40 84.20 56 56 85.44 -1.06 86.06 85.25 3,455 25.229 84.27 -1.18 84.85 84.10 210 3.590 83.22 -0.70 83.60 83.05 2.357 28.521 83.80 -0.65 84.10 83.80 63 3.169 84.38 -0.67 84.45 84.30 33 1,448 E CRANGE JUICE NYCE (15,000lbs; cents/fbs)

VOLUME DATA Open interest and Volume data shown to contracts traded on COMEA, NYMEX, CBT NYCE, CME and CSCE are one day in arrears. **INDICES** REUTERS (Base: 18/8/31=100) May 9 May 8 month ago year ago 2138.1 2129.3 2120.6 2311.5 CRB Futures (Base: 1967=100) May 8 May 7 month ago 260.51 259.24 258.91 ■ GSCI Spot (Base: 1970=100)

menth ago 214.05

MEAT AND LIVESTOCK LIVE CATTLE CME (40,000lbs; cents/lbe)

Sett Pay's Open Price change High Low Vol Int. 59:500 –0.125 60.575 58.175 12.917 29,763 61:100 +0.475 61:375 60:200 6,334 25,557 81:475 a.056 63:65 62:900 3,342 17,506 61.600 +4.150 62.200 61.250 1.348 9.580 62.575 +0.825 62.775 61.600 4,896 16,148 55.850 -0.060 56.100 55.525 51.275 -0.025 51.550 51.100 54.675 +0.075 54.850 54.400 75.750 -0.150 76.350 75.800 E PORK BELLIES OME (40,000/bs; cents/ba) \$3,275 +0,925 94,350 91,900 98 1,832 88,725 +0,075 91,550 88,850 1,835 5,813 86,250 -0,300 88,500 85,700 596 2,283 84,300 -0,325 86,800 84,050 75 483 85,800 +0,100 85,900 84,050 23 38 85,800 -0,075 85,900 86,250 1 50 85.800 -0.075 85.900 85.250 LONDON TRADED OPTIONS

Strike price \$ torms -- Calls --- --- Puts ---99.7%\ LME E COPPER (Grade A) LME III COFFEE LCE

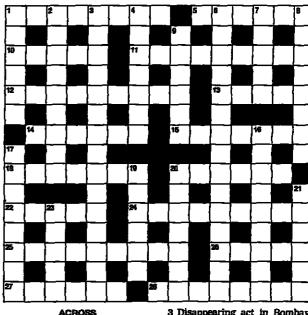
LONDON SPOT MARKETS E CRUDE OIL FOB (per barrel) Brent Blend (dated)
Brent Blend (June)
W.T.I.
III OIL PRODUCTS NWE \$19,40-9,42 Heavy Fuel Oil Naphtha Jet fuel \$104-106 S188-190 Diesei NATURAL GAS (Pe (0171) 359 8792 III OTHER 544.50c

Gold (per troy oz) Silver (per troy oz) Platinum (per troy oz.) Palledium (per troy oz.) 130.00 Leed (US prod.) Tin (Kuele Lumpur) Tin (New York) 16.17r 310.50 Cattle (five weight) 101.650 Sheep (live weight)
Pigs (tive weight) 188.83p 115.20p Lon. day sugar (raw) Lon. day sugar (wta) Barley (Eng. feed) Maize (US No3 Yellow) \$277.70 Wheat (US Dark North) Flubber (Jun)♥ Flubber (Jul)♥ Rubber (KL RSS No.1) 383.00m \$850.0v

Coconut Oil (Phil)§ Paim Oil (Malay.)§ Copra (Phil)§ \$547.52 \$503.0v 227.0w 83.55c Sovabeans (US) Wookops (649 Super) 432p

JOTTER PAD The solution is HP Computer Systems. **CROSSWORD**

No.9,065 Set by ADAMANT



I Honest view about the artwork (8) arbitrator to Foreign Office 6 10 Hope to win a seat - or seats?

Detective Sergeant ensured the changeover was out of 8 As quick as lightning, duly gear (9) Room for one more actor playing "Tea and Sympathy" appeal between two journal-initially (5,4)

higher ground (6) eastern bay (7)

22 Decrive about the effect of the sun (5) 24 Points to another part of the river with delight? (9)

25 The art of knowing when to stop (9) Raise the spirits over extract from the Arabian Nights, perhans (5) Getting credit in outskirts of

Surrey can be a little difficult 28 Mischievousness causes car crash by hothead (8) DOWN

1 The diagnosis is terribly par-tial to a close connection (6) 2 Criticise girl swallowing Ecstasy joint (5,4) 3 Disappearing act in Bombay, for example (6,4,5) 4 The arrogance of a hard writer from France (7)

Cheesed off! More parking arrangements! You have the right to complain (7.2,6) 7 Relaxed when the journalist put England first (5)

13 Avoid writing off the fair-ground attraction (5)

14 Fear to lose one's way in the 17 Can Dorcas be off to get the

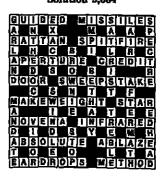
materials? (8) 15 Made, we hear, some lad distraught (7)

18 Fresh crisis when soldiers left

19 Crosses into power (6)
20 Holding beam of light, the rest spread out for one who

20 Put up with someone going to law to protect leaders of fish-23 Number wandering round the University show lack of inter-

Solution 9,064



INTERNATIONAL CAPITAL MARKETS

European 'core' shrugs off US weakness

By Samer Iskandar in London and Lisa Bransten in New York

Bonds in so-called "core" European countries proved resilient yesterday and failed to trail falling Treasuries after the release of disappointing labour data in the US. But the relative strength of the D-Mark again restrained efforts of peripheral European markets to pursue their convergence

towards German interest rates. Italian bonds also suffered from bearish comments from Standard and Poor's, the US credit rating agency. Liffe's June BTP future settled at 113.41, down 0.40. The market had started the day on a positive note, with the BTP future reaching a high of 113.95. But in an afternoon telephone conference, S&P said it was "uncertain" Italy could sustain its fiscal reforms, and that the country was among the most at 96.35. Traders said the mar-

indebted countries with an AA ket weakened in the afternoon, rating. This contrasted with an analysis by Moody's, the other US rating agency, which recently said it may upgrade Italy's sovereign debt.

■ Spanish bonds were affected by the currency's weakness and uncertainty over the coun-

GOVERNMENT BONDS

try's ability to participate in European monetary union. Liffe's June bono future settled at 97.34, down 0.64. In the cash market, the 8.80 per cent bono due 2006 fell by almost % point to close at 96.27.

but off their intra-day highs. Liffe's June bund future settled at 96.07, up 0.04, after opening

when the contract's failure to breach resistance at 96.80 trig-gered profit taking. In the cash market, the 10-year bund was unchanged at 98.11.

■ UK gilts ignored stronger than expected industrial output data showing a rise of 0.3 per cent in March, against economists' forecasts of no change Liffe's June long gilt future settled at 105½, up å. The 10-year benchmark gilt rose by % to 95 The yield spread over bunds narrowed by 3 basis points to 176. Although economists are forecasting a rebound in economic activity later this year, a growing number of analysts expect one more cut in the base rate

■ The French OAT market was barely changed, with Matif's June notional future

before the year-end.

closing 0.02 point higher at 122.72. In the cash market, the 10-year benchmark OAT lost 0.23 point to close at 105.07. The 10-year spread over bunds turned positive to 3 basis points, from a negative 3 basis points on Tuesday. Economists at BG Bank believe this spread will remain positive, or widen

further, while the French

authorities continue to strug-

gle to rein in public deficits.

■ US Treasury prices gave back some of Wednesday's sharp gains in quiet trading early yesterday as dealers awaited figures on producer prices due out today. Through morning trading, however, the yield on the benchmark 30-year Treasury held below 7 per cent. Near midday, the benchmark 30-year Treasury was off & at 87% to yield 6.993 per cent,

ile at the short end of the

maturity spectrum, the two-

NEW INTERNATIONAL BOND (COLLEG

year note was 1 lower at 99%, yielding 6.130 per cent. After gaining a full point on Tuesday, the June Treasury bond was 4 weaker at 107% early yesterday. The yield curve mapping the spread between two-year notes and the long bond held steady at 86 basis points.

Bonds began the session weaker after some profit-taking in Asian and European markets, and fell again after the Labour department said that initial claims for unemployment fell by 12,000 to 336,000 last week.

Commodity prices were nearly flat, with the Knight Ridder-Commodity Research Bureau index off 0.12 at 260.39. The dollar was also relatively stable against the D-Mark and the yen. In early trading it was changing hands for DM1.5162 and Y104.77, compared with DMIL5165 and Y105.28.

FT-ACTUARIES FIXED INTEREST INDICES

Lip to 5 years (23) 5-15 years (19) Over 15 years (9) irredeemables (5)

6 Up to 5 years (1) 7 Over 5 years (11) 8 All stocks (12)

+0.04

+0.22 +0.31 +1.23 +0.18

121.55

Romania plans eurobond debut after yen success

By Virginia Marsh, recently in Bucharest

Mr Mugur Isarescu, Romania's central bank governor, said yesterday the country's first international bond issue since the second world war had exceeded "all expectations" and that it would be followed by a debut eurobond in June. On Wednesday, the National Bank of Romania launched Y52bn worth of 5.2 per cent three-year samurai bonds -

yen swap rate for similar maturities and about 335 basis points over US Treasuries. Market sources said the issue, almost fully underwritten, was close to being sold

Japanese domestic bonds -

priced at par. This represents

about 280 hasis points over the

Nomura Securities arranged the issue, with Merrill Lynch co-lead manager. Merrill Lynch has also been mandated to arrange this summer's eurobond, which will be for up to \$200m. In a telephone interview, Mr Isarescu said Romania was also planning a loan would have a maturity of

Yankee issue. The NBR had initially planned a samural offering of up to Y40bn but raised it to Y52bn due to strong demand. The issue follows the

announcement of Romania's first credit ratings in March. It was awarded sub-investment grade ratings of BB+ by Japan Credit Rating Agency, BB by Standard and Poor's and IBCA, and Ba3 by Moody's.

The country returned to the international capital markets last year with two syndicated

loans, after an absence of more than a decade. Mr Isarescu said that, after the eurobond, the bank's next goal would be a large syndicated loan, scheduled for late August or early

A CONTRACTOR OF THE PROPERTY O

September. He said the bank hoped the at least three years but was aiming for a spread of no more than 175 basis points above Libor, the margin it recently paid on a syndicated loan

arranged by Sanwa. Although some market sources said the NBR could have achieved better spreads on the samural issue, the funds will be a welcome boost to the central bank, which since 1990 has been dependent on international financial institutions and other western donors for external financing.

Lebanon goes ahead with dollar offering

By Conner Middelmann

The eurobond market saw a diverse selection of new issues sterday, with US dollar offerings predominating.

INTERNATIONAL BONDS

Lebanon launched its longawaited \$100m issue of bonds due July 2000, which it had postponed in April when Israel took military action against Hizboliah fighters in south Lebanon on the scheduled launch date. The recent skirmishes did not, however, appear to have dimmed inves-

tor enthusiasm for the Issue. "People still have confidence in Lebanon - the fact that we were able to bring this issue at a tighter spread than Lebanon's previous deals indicates that the credit continues to improve," lead manager Paribas said. The bonds were priced to yield 295 basis points over Treasuries, tighter than the 320-basis-point spread of the \$300m issue of last July with which yesterday's tranche is fungible.

Elsewhere, Philips, the Dutch electronics giant, launched \$250m of five-year bonds during Asian trading. The bonds, listed in Luxenbourg and Hong Kong, were targeted at Asian investors, who took about 25 per cent of the offering, said lead manager HSBC Markets.

AC International Finance, the funding arm of Ayala Corp of the Philippines, made a suc-cessful eurobond debut with \$110m of five-year bonds via J.P. Morgan. The 173 basis point spread was the tightest ever for a Philippine bond issue, a syndicate official said. Another significant emerging-market issue surfaced in the US Yankee market. Grupo

Borrower	Amount <i>m</i> .	Coupon %	Price	Metarity	Fees %	Spread by	Sook-ramer
US DOLLARS					•-		
AECAMT 1996-1, Class Alat	867.5	(a1,i)	(et)Fl	May 2001	0.30R	(6.1)(6)(4%-01)	Merrill Lynch International
Philip Electronics	250	7.00	99.276R	Jun 2001	0.325R		HSBC Markets
Den Denske Bankib)‡	200	(b1)	99,88BR	Jun 2006	0.45R		Salomon Brothers Intil
CNCP Intl Finance(c)t	150	(01)	98.87R	May 2001	0.25R	-	JP Morgan Securities
AC International Finance	110	8,1256	89.417FI	Nov 2001	0.75R		JP Morgan Securities
Lebansse Republic(d,s)	100	9.125	99.82R	Jul 2000	1.00R		Paribas Capital Markets
UBS Finance(e,s)	- 100	6.00	98.80R	Dec 1999	0.18758	-1(5% -09)	
Business Dev Bank of Cenada	100	6.375	99,783R	May 1999	0.187 5 Fl		M Stenley/Toloyo-Mitsubishi
Banco Bozano(f)	75	10.375#	99.82R	Many 2004	0.875R	+305(6%%-96)	Barckys de Zoete Wadd
D-MARKS							
Commonwealth Bk of Australia	300	5.375	99.858R	Jun 2001	0.25R	+32574%-00	Banque Paribas (Dautsch)
SGZ Bank Ireland‡	300	(a)	99.535	Jun 2001	0.20	-	HSBC Trinkaus/Merrill Lynch
SWISS FRANCS							
Mita industrial +	. 80	4.25	100.80	May 2001	1.50	-	Seigura Bank(Schweiz)
CANADIAN DOLLARS							
Province of Manitobe(a)	150	7.00	100.00R	Sep 1999	0.225R	+10(7%%-99)	CIBC Wood Gundy
ALISTRALIAN DOLLARS							
World Benk@★	250	7.65#	99.72	Jun 1999	0.80	•	Yamaichi inti(Europe)
Toronto Dominion Bank, London	100	8.125	100.785	May 1998	1.25	-	Toronto Dominion Bank
PESETAS				_			
UV Rentenbank(h)	10bm	g:1}	101.121	Jun 2006	1.625	-	BNA/BNP Espāna
Kommunkryggt	10bn	8.65	101,269	Jun 2001	1.625	-	BSN/NetWest/Nikko Espans.

First terms, non-catable unless stated. Yield spread (over govt bond) at taunch supplied by lead manager. #Unitated. ‡ Rosting-rate note. #Semi-armusi coupon. Rt thad re-offer price; fees shown at re-offer level. a) American Express Credit Account Master Trust. Legal Maturity: 15/12/03. Monthly coupons, at) Priced later: This +35-57bp area. at) Catable from Jun 2003 at par. bit) 6-min Libor +379-bp to Jun 2003, then +187/56p. (Catable from May 1999 at par. ct) 3-min Libor +20bc. d) Fungible with \$300m. No accrued. a) \$200m faunched 29/4/96 incredsed to \$300m. i) Catable a puttable on 29/5/39 at 99/5/4 & that 99/6/4. g) 3-min Libor flat. h) Catable on 10/6/39 at par. h1) 9% to 10/6/39, then 94/6. i) Long 1st coupon. a) Short 1st coupon.

Televisa, the Mexican media is a zero-coupon bond for the company, issued \$700m of first five years and has a 13.5 bonds in three tranches, the longest with a 12-year final maturity. That \$300m tranche

five years. It is the first time this structure, popular in the per cent coupon for the final US, has been used by an seven years - unless the issuer emerging market issuer. Lead exercises its call option after manager is Morgan Stanley.

UBS launches note issue with exposure to former Yugoslavia

Union Bank of Switzerland has launched a new type of asset-backed security enabling investors to gain exposure to the countries that constituted Yugoslavia. It has issued \$500m of euro-medium term notes backed by commercial bank debt of the former Yugoslavia under the 1988 New Fin-

ancing Agreement (NFA). "These notes represent a very straightforward way for investors to get exposure to places like Macedonia, Croatia or Serbia, which you cannot do through any other instru-ments," said Mr Alexander Mitcheson-Smith, head of emerging-market research at UBS. The notes are targeted primarily at specialist emerging-market funds, he said. "We

65.7

The notes will be issued in the following proportions to have seen huge interest in the former Yugoslavia in the last the NFA, as set out by UBS:

3.53 5 yrs 3.38 15 yrs 3.48 20 yrs 1.47 irred.†

nine to 12 months, as wit- Slovenia will account for 18 per cent of the asset-backed note nessed by the recent equity programme; Croatia, 28.5 per offering for Pliva [the Croatian cent; Macedonia, 6 per cent; pharmaceutical company), Bosnia-Herzegovina, 10 per cent; and Yugoslavia (Serbia/ which was about 20 times subscribed," Mr Mitcheson-Smith Montenegro), 37.5 per cent. said. "The problem is, so far Based on current NFA offer there are only a very limited number of ways for a straight-forward portfolio investor to prices, notes backed by Slovenian debt are being offered to

May 9 May 8 Yr. ago May 9 May 8 Yr. ago May 9 May 8 Yr. ago

8.04 8.17 8.17

7.65 8.36 8.41

7.63 8.32 8.38

8.00

gain exposure to them." investors at 115 per cent per The notes, which trade and dollar of face value, implying a spread of 300 basis points over settle like eurobonds, will be issued in five tranches which entitle holders to any pay-Libor: Croatian debt-backed notes are for sale at 93 per cent ments or distributions under per dollar, implying a 800-basisthe NFA made by the five sucpoint spread; Yugoslav notes are priced at 33, which transcessor republics of the former lates into a spread of some 3,200 basis points; and Macedo-Yugoslavia.

At this stage, only the details of the Slovenian and Croatian debt restructurings are known, while the others have been

7.82 8.35

2,900 basis points over Libor. According to Mr Mitcheson-Smith, Macedonia's and Yugoslavia's notes have significant scope for outperformance.

7.74

7.76 -8.19 8.48 8.39 8.50 8.34

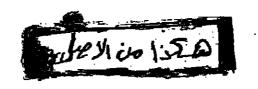
La just

nia's notes are priced at 36 per

cent, equal to a spread of about

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WOR	LD BON	D PRIC	CES													
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Belgium Canada "		7.000 8.750		101.9400 105.9100	+0.120 +0.790	6.73 6.62 7.86 7.84		9700 Est. w		0.09 Calla 108	0.11 89 Puta 200	0.23 63. Provious	0.36 deris con		200 2,12 235879 Puts 1	
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Netherland		6.000	01/06	97.0600	+0.080	6.41 6.37	6.48	Sep		113.13	112.79	-0.40	113.2			1496
Portugal Spain		11.875 8.800	02/05 04/06	115.6600 96.2700	-0.390 -0.710	9.18 8.92 9.37 9.14	9.50 9.69			KOVT. B	_ <u> </u>		S OPTIO	48 (THUE) I	Jra200m 100	ths of 100%
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160 2		9.000	10/06	105-27	+8/32	8.24 8.26	8.34	11360			0.57	1.7		0.76		2.42
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121	1.86			1.50	0.12	0.78	1.22	_		Open	Latest	Change	_		Est. vol.	-
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riving along high-

way 10 in Calif-

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tening to the

country rhythms of K-FRG, or "K-Frog Radio" as it calls

itself. I heard a particular advertisement repeated every

It had been placed by the US

communications workers'

union and it complained about

a decision by GTE, the tele-

communications company, to

shed 17,000 jobs. The advertis-

ers said the job cutting pro-

gramme had been inspired by a desire to increase profits - yet, they claimed, GTE's service

was suffering as a result.

Whether or not the claims

were true, the advertisement

demonstrated the potential

backlash, undermining employee and customer confi-

dence, that can result from cor-

It also illustrated how

matching investor demands with those of the customer and

the employee is becoming a

delicate management issue for

large companies, where ethical

considerations can no longer be ignored in the drive for ever

The union, in this case, is

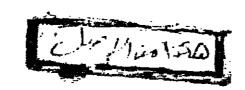
probably fighting a losing bat-

tle. Telecommunications jobs

feature highly among those

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DAY MAY 10 1998

knowledge of money markets is equally desirable. You should be able to demonstrate excellent communication skills as well as being able to work as part of a small team. Based in London you will liaise closely with colleagues in the US Home Office. Please send your CV, including details of your current remuneration package, to Penny Crabb, St. Paul Management Ltd, St. Paul House,

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understand and be sensitive to the policy goals of the Commission in developing a trans-national framework for strengthening the innovative capacity of European SMEs;

In addition, the innovation finance position requires a thorough understanding of the issues involved in financing innovative smaller firms, particularly In addition, the innovation retrained position of course of risk capital. Experience or first hand knowledge of publicly administered schemes in terms of the provision of venture, seed and other forms of risk capital. Experience or first hand knowledge of publicly administered schemes in terms of the provision of venture.

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supporting capital risk investment in SMEs would be a distinct advantage supporting capital from investigations stretegy should have a thorough understanding of the issues involved in promoting innovation through regional. The specialist in regional introvation stretegy about a specialist in regional introvation stretegy about a specialist in regional introvation and specialist in regional introvation stretegy. The specialist in regional innovation strategy should have a unaday, as a policial and involved in promoting innovation through regional formation infrastructures, including the role of regional development agencies in the process. A good knowledge of the technology acquisition and innovation infrastructures, including the role of regional development agencies in the process.

processes in SMEs would also be an advantage All applications should include a full CV and be sent to: Jack Burgess, Ricardo Hitec Ltd, Club Street, Bamber Bridge, Preston PR5 6FN Fax: +44 -1480 394 431

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RECRUITMENT

JOBS: Companies must search for a new moral dimension to define their aims, writes Richard Donkin

Balancing on the high wire of business

threatened by improvements in technology leading to a fluidity in employment prospects in US industry. American Telephone and Telegraph announced plans to eliminate 40,000 jobs earlier in the year while smaller carriers have added collectively almost as many. The new jobs that have emerged in the related cable and broadcasting industries demonstrate how difficult it is to assess the impact of techno-

logical change on employment.
It will be interesting to see whether existing human resource disciplines will be sophisticated enough to deal with the potential instability of such change. The way that human resources can be used to balance the interests of employees with the aims of the business was highlighted recently in The Healthy Organization. Fairness. Ethics and Effective Management by Susan Newell, a lecturer at

Warwick Business School. Newell believes that the mutuality of business between

management, employees, customers and shareholders and the maintenance of stability and equanimity of the constituent interested parties are at the heart of a successful enterprise. She sees the modern approaches promoting health and fitness, diversity and equality of opportunity in the workplace as important compo-nents in many of today's successful companies. But what some of these companies may still lack, she suggests, is an underlying idealism.

The success of Quaker companies, such as Cadbury, Rowntree and Lever Brothers. reflects the humanitarian principles they were founded upon, she argues. But while many companies have imitated their welfare schemes, few have felt obliged to adopt similar princi-ples across their businesses. In adopting welfare schemes, says Newell, most companies have seen them as a chean substitute for higher wages and a way to discourage employees from joining unions. This is

because the majority of companies are driven only by the profit motive. But that may no loncer be sufficient.

Should more companies today be seeking some kind of moral dimension to match that of the Quaker businesses? If so, where might this new business ethic originate? One possibility may be cor-

porate governance. Few people working in companies today, from top to bottom, can be said to be operating in a vacuum of accountability. Everyone is responsible to someone. Even chairmen must consider themselves employees with obligations they must fulfil.

However much it may be derided as overly bureaucratic by its detractors, corporate governance has done much to re-enforce this recognition of accountability at the top of companies. It seems to embrace the observations Peter Drucker made nearly 30 years ago in The Practice of Management, that managers need to be managed. The lack of such

management among senior be that more companies may people has never been as evi-dent as it is today in the way that many in management are accepting long hours of work, ' bistleblowers inside

almost without question. This corporate slavery at the top of companies and in many professions is threatening the balance between personal and working lives. Earnings become meaningless when people no longer have the ability to enjoy the profits from their

Perhaps it is time that com-panies expanded the notion of part-time working or jobshares into senior appointments. It would not only create more jobs but would also help to alleviate the pressure in many senior roles.

Newell gives as an example the appointment of a senior deputy store manager recruited to work Sundays in a Sainsbury's supermarket. At present many companies still seem to view part-time work as something that is useful lower down the hierarchies. It may to do it openly, individuals can

need to consider such options more seriously at higher levels.

companies are not always appreciated, even if the information they provide may save their employers thousands of pounds. If they inform upon their workmates they risk being

ostracised; if it's the boss, they risk the sack. There is a cul-ture, almost inbred from school days, that you do not snitch. Yet there is no doubt that if employees had spoken out earlier in a number of well publicised fraud cases, the individuals responsible may have been

brought to book at a much ear-

lier date. One of the problems for whistleblowers is finding advice or a trusted confidente to receive the information. While many may be brave enough to impart information anonymously, few are prepared

Public Concern at Work, a charity established to provide legal advice to whistleblowers. Some companies have also established private hotlines. Sometimes these lines connect to a recorded answering service which does not easily deter anonymous mischief

A company called Expolink offers a manned telephone line. Although call handlers will accept anonymous tip offs they encourage callers to hand over their names and numbers. The call handler is obliged to protect the identity of the caller even when given. He acts as a go-between, relaying messages to managers of the client employer. The company goes to elaborate lengths to protect the security of callers. Once a report is faxed to a client, the original recording is wiped and

the written record destroyed, preventing it from being produced in evidence for a criminal prosecution.

themselves with such a service: does the encouragement of whistleblowing breed a climate of distrust in a company? Can employees expect to work of their workmates may report some minor infringement of company rules? What if the problem is the management who have installed the service to monitor employee knowledge of their activities?

Legal protection for whistleblowers is promised in a private member's bill, the public interest disclosure bill. sponsored by Don Touhig, Labour MP for Islwyn. Legislation already exists in North America, Australia and New Zea-land. The bill, however, has little chance of reaching the statute book at this stage.

In a unionised workforce trade union representatives might be the best individuals to deal with employee concerns although they may not be able to offer the same protection of

Public Concern at Work can be contacted on 0171-404 6609. Expolink is on 01249-782124.

*The Healthy Organization. Rairness, Ethics and Effective Management by Susan Newall, published by Routledge, £11.99 Several problems suggest in paperback.

BANKING FINANCE & GENERAL APPOINTMENTS

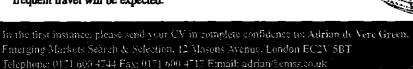
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- Well -developed accounting skills, enabling the candidate to rapidly reach an understanding of Israeli inflation accounting
- An ability to produce value-added research ideas, based on a creative approach to analysis
- The ability to assimilate large volumes of data and present conclusions in a clear and concise format, both written and orally

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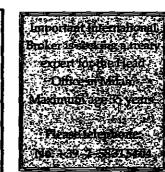
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INTERNATIONAL CAPITAL MARKETS SENIOR FIXED INCOME ANALYST

COMMERZBANK AG, LONDON BRANCH

Commerzbank AG, one of the three major banks in Germany and an active participant in global financial markets, is developing further its presence in the International Capital Markets. London is Commerzbank's European trading centre for most non-Deutschemark fixed income products. As part of the planned growth of the London fixed income operations, an opportunity has been created for a Fixed Income Analyst to join the current team and work in London.

The ideal candidate is likely to possess an Economics Degree, to have a good understanding of fixed income related mathematics and to have specialised for several years in analysing French Franc and ECU products for a large investment bank or securities house. Particular emphasis will be given to generating investment strategies and servicing major institutional customers. Fluency in French is essential. Fluency in German will be an advantage, not a pre-requisite.

The remuneration package will consist of a competitive salary plus the benefits associated with a large bank and a performance related bonus.

Individuals, who consider themselves to have the appropriate qualifications and who would like the opportunity to discuss the matter further, should write to: Vanessa Lewiston, Personnel Manager,

Commerzbank House, PO Box 286, 23 Austin Friars, London EC2P 2JD

enclosing a copy of their CV. All applicants can be assured of complete confidentiality.

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European Convertibles

Jalomon Brothers, one of the world's leading financial institutions, is seeking a highly motivated individual to join its expanding Global Convertibles team.

The successful candidate will be involved in all aspects of convertible trading and must have a successful track record which includes 2 - 3 years' experience of trading European convertibles. Applicants for the position must be educated to degree level in a numerate or technical discipline and be able to demonstrate highly developed analytical and interpersonal skills. They must also be strongly computer literate and, ideally, fluent in at least one European language apart from English - preferably French or Italian.

If you have the necessary skills and experience for the position please write, enclosing a full CV and covering letter, to Isabel Doverty, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingbam Palace Road, London SW1W OSB.

Salomon Brothers





KPMG Corporate Finance

Assistant Directors & Managers - South East Region

Competitive Salary & Benefits Package

KPMG Corporate Finance is amongst the top UK advisers on public and private transactions. In 1995 we advised clients on nore transactions than any other UK financial adviser ncluding acquisitions, disposals, takeovers and mergers, nent buy-outs and privatisations.

The team in the South East comprises some 130 people located in our City office and in 7 key South East regional business centres - Southampton, Gatwick, Reading, St Albans, Milton Keynes, Cambridge and Ipswich. Our Partners and staff come from a variety of backgrounds ncluding accountancy, law and investment banking. The continued success of the team throughout the region necessitates the recruitment of experienced Assistant Directors and Managers in our 7 regional business centres.

Aged in their late 20's or early 30's, candidates will typically

unication skills, as well as the ability to work well within a team framework, are seen as important attributes. Candidates will need a minimum of three years' experience in a challenging Corporate Finance environment and be able to challenging Corporate rimance environment and the auto to demonstrate a track record in M&A and/or MBO's. Beyond this, a foreign language capability will always be regarded as an advantage.

Our investment in you will include a competitive remuneration and benefits package together with the opportunity to develop a career based on a wide range of corporate finance experience in both UK and cross border transactions, coupled with a comprehensive training programme.

sted applicants should, in the first instance, write enclosing full career and remuneration details to Howard Foster, quoting reference HFFT596, at Executive Connections, 43 Eagle Street, ndon WC1R 4AP. Tel: 0171 242 8103. Fex: 0171 405 6580.

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FINANCIAL CONTROLLER

The Role

Reporting to the General Manager and responsible for the provision of timely, accurate and comprehensive financial and management accounts, information and controls,

Responsible for the compilation of statutory accounts, and preparation and monitoring of overall group budget.

Accountable for the leadership and direction of the established financial control functions.

Providing a pivotal input to business development and corporate expansion projects.

The Qualifications

Qualified Accountant 30+ with ten or more years experience in the financial control function of a major international bank.

Must have comprehensive knowledge of bank accounting and control procedures with particular expertise in the full range of Treasury products.

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Mature man-management skills with an emphasis upon providing leadership and expertise in a mutil-cultural environment.

MARKETING MANAGER

The Role

A senior position responsible for the development of a portfolio of existing and prospective account relationships.

Provides advice and co-ordinates the carangements of trade, debt and project-related financing for major corporate customers.

Portfolio growth objectives are defined in terms of growth in volume and profitability of

The Qualifications

The Qualifications

Degree standard, preferably with additional banking and financial qualifications.

ideally graduated from a major bank credit training programme. 28+ with at least six years relevant marketing and

account management expertise with a major international bank. Strong negotiating and people skills as well as

the expertise and tenacity to succeed in assessing and structuring banking and financial

CREDIT MANAGER

A senior position responsible for the management of a substantial element of the bank's risk management portfolios controlling and making recommendations as to changes in the overall asset mix of credit portfolios.

Responsible for the review and analysis of credit proposals and the preparation of credit recommendations for existing and new relationships to the Credit Committee and the

Simultaneously responsible for management and retention of high standards of credit quality in the existing portfolios.

Assisting in the development of relationships with existing and new clients.

training in a major bank credit programme preferably with additional banking or financial aualifications.

Degree standard with formal credit analysis

30+ with at least ten years directly relevant credit and management expertise with a major international bank

Exposure to the energy and contracting sectors would be advantageous.

Strong analytical, IT and people skills. Sound... knowledge of Treasury products and risk profiles.

Excellent written and oral presentation skills.

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These Important positions require high quality banking professionals with the ability to influence at all levels working in a multi-cultural environment. Knowledge of Arabic and experience in the Gulf would be advantageous.

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European Banks

EMERGING MARKETS SOVEREIGNS

On behalf of a major European Investment Bank we are seeking experienced Analysis to undertake traditional and complex credit research mainly on the sell-side.

Candidates must be graduates with between 3-10 years experience of working closely with trading and sales teams in respect of credit trading, private placements, ratings advisory, etc. Ideally you will be equally at home with public presentations, press announcements, production of monthly publications, as well as regularly presenting to a professional sales and trading team.

Experienced Banks Analysts should detail in their CV the country and nature of banks that they have reviewed. Sovereign Analysts, ideally with some experience of analysing financial institutions, should demonstrate good experience of emerging markets. Please detail countries covered. Corporate Analysts should have global experience or minimally good knowledge of corporates throughout EMEA countries. We are only interested in analysts who can demonstrate that they have been formally trained, either within an investment bank or a top rating agency in London or New York and preferably with a good understanding of products traded within treasury and capital markets.

Applicants should send a detailed CV together with a full breakdown of current remuneration package and a one page overview of experience to Ron Bradley, Director.

Jonathan Wren & Co. Limited ucial Recruitment Consulta No 1 New Street, Landon EC2M 4TP



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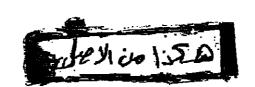
side in the finance or securities business, probably following a degree level education. Proven experience in developing and launching new finance oriented products will obviously be nseful and you must be a creative thinker who is able to generate new product ideas.

A competitive salary and benefits package is no offer and salary tiex in Hong Kong is 15%

Please write with full career details, including a recent photograph, details of current and expected salaries, and quoting Ref:H96022, to Christian Loung, Human Resources Manager HHO/Specialist Support, Human Resources Department, The Hongkong and Simphal Banking Corporation Limited, 2117, Tower 1, The Gateway, 25 Canton Road, Tsim Sha Tsin, Kowloon,



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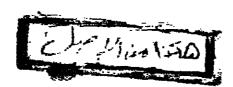
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Our client is a leading US "bulge bracket" investment bank with global leadership positions in Corporate Finance, Debt and Equity Capital Markets, Sales, Trading and Research. It services corporate, governmental, institutional and private clients through an extensive network of offices in all the major financial centres, covering North America, Europe and Asia. The firm has a sizeable and rapidly growing European investment banking presence in the Corporate Finance, Debt and Equity Capital Markets areas. Exciting opportunities exist in several areas for highly qualified and talented individuals.

Corporate Finance/M&A

Debt Capital Markets

Equity Capital Markets

The Corporate Finance Department originates and executes the firm's domestic and cross-border mergers and acquisitions, strategic advisory, corporate restructuring and equity issuance business in partnership with industry and geographic coverage bankers. Ref: 521j.

The Debt Capital Markets Department originates Euromarket and global debt mandates from the firm's worldwide client base. Working with Corporate Finance bankers, the team develops opportunities for traditional and highly structured financial products across all currencies. Ref: 522J.

The Equity Capital Markets Department is the link between the firm's Corporate Finance activities and its distribution, trading and research functions. The team works with these disciplines in originating, structuring and managing equity capital raising transactions.

Candidates will be graduates in their mid twenties to early thirties, ideally with an MBA or other financial/legal qualification. Key personal attributes will include first rate analytical skills, highly developed interpersonal skills and presentation ability and the ambition and drive to succeed in a highly competitive, performance-driven environment. Banking experience is desirable; however, suitably ambitious and commercial individuals with relevant skills from other professional backgrounds will be considered. Fluency in European languages would be a considerable advantage.

GKRS

This leading investment bank offers excellent career development opportunities for the right individuals on a global basis. The remuneration package is structured to attract the most qualified individuals and includes a full range of executive benefits. Please send a full CV to GKRS at the address below, quoting the relevant reference number on both letter and envelope, and including details of current remuneration. All applications will be treated in the strictest confidence.

SEARCH & SELECTION

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The Project Finance team is responsible for delivering a full range of advice to clients on project finance initiatives, including investment opportunities arising from the Private Finance Initiative (PFI), telecommunications and large-scale transportation projects. Candidates for these roles will have gained exposure to a wide variety of project finance work, ideally including PFI projects, and will combine business development and hands-on execution skills with a record of successfully closing transactions. Ref 519]

The Leasing team is responsible for advising clients on the structuring and financing of middle market and big-ticket leasing transactions across a wide range of industry sectors, with a focus on major domestic projects. Candidates will require strong project management ability and first rate financial analysis and modelling skills, together with an excellent record of closing major

Leasing Specialists

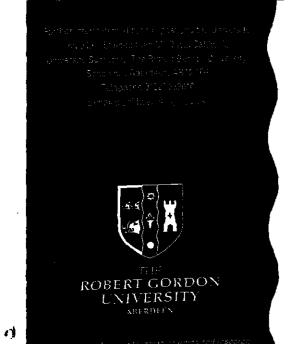
Candidates for both roles will be graduates, with upwards of four years' relevant experience gained in an advisory or lending capacity, or alternatively in project finance roles in industry. We are seeking individuals who are energetic and ambitious with a strong personal presence, developed commercial awareness and creativity, first rate communication skills and the ability to progress quickly through the organisation.

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Principal & Vice-Chancellor

The Robert Gordon University is seeking a candidate of outstanding ability from higher education, industry or commerce to succeed Dr David Kennedy, who will retire from the post of Principal and Vice-Chancellor on 31 August 1997.

Founded over one hundred years ago, the institution was granted University title in 1992. It has expanded rapidly during the last ten years, and will have over 7,000 full-time equivalent students by autumn 1996. During this period the University has also expanded its research activities and its commercial interests.

The successful candidate will take up post at a time when higher education faces fundamental challenges relating to purpose, funding, management and organisation, and methods of delivery. He/she will therefore be a person of vision, capable of providing strong and effective academic direction and possessing excellent managerial skills, in order to meet these challenges and lead the University successfully into the next century on a path of continuing development and growth.

Any person who wishes to apply, or would like to suggest a name for leration, is invited to write to Mr Ian Souter, Chairman of the Board of Sovernors, c/o University Secretary, at the address apposits.

The closing date for the receipt of applications and normations is Wednesday 19 June 1996.

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The successful candidate will be trilingual in English, French and German and must have experience of working in an international context.

Rigorous, with excellent analytical and synthetical skills, the successful candidate will also be outgoing and approachable and possess outstanding negotiating skills. Please send full details (letter, CV, photo and expected salary) in

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You should have at least seven years' relevant experience in bond market making and a thorough background in credit research. This experience will have been gained through direct first hand trading responsibility and must be complemented

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with fundamental credit research and analysis of the bond markets. You must demonstrate strong communication skills in both presentations and written publications. Direct exposure to the international markets of Tokyo and New York is essential. You should be educated to MBA or an

equivalent level. The rewards package and career development prospects are excellent. To apply, please write with your full CV and quote reference 422, to: Alastair Lyon. Confidential Reply Handling Service,

Applications will only be sent to this client but please indicate any company to which your details should not be forwarded.

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· Pinancial management information and systems An experienced and able team member Strong communication and presentation skills University graduate or MBA, probably aged 38 years or older

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ideally you will have 2 years' experience of investment writing in retail financial services or in financial journalism. Prior experience in the brokerage or fund management business would be an advantage. Emphasis will be placed on the ability to write for a US mutual fund group or about investing for a US audience. Your calm temperament and strong personal organisation skills will be used fully in meeting the demanding schedule of deadlines.

If you are interested in this role, please apply with CV and covering letter outlining how you meet our requirements to Angela Hart, Personnel Officer, Gartmore Investment Limited, PO Box 65, 16-18 Montament Street, London EC3R 8QQ.

MANAGING DIRECTOR

PRIVATE BANKING

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Personal attributes will include strong interpersonal and influencing skills, and the ability to develop and maintain long term client relationships. Complete fluency in English and French is a pre-requisite, German a distinct advantage, and other languages a plus.

This is a great opportunity for an ambitious and capable manager to use their aktils and experience in an organisation at an exciting stage in its development. For the right person, the benefits package will not be a limiting factor. If you are interested, please send your application to me at the address below, or

alternatively, contact me on (352) 40 63 58 for more information. (Fax - 40 45 48). All applications will be treated in the strictest of confidence, and should be accompanied by a full Curriculum Vitae, together with current salary details, and a contact telephone number.

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he Personnel Officer. Box tumber A5323, Financial

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> Mr Martin Leclerc, Executive Vice President Prudential-Bache Securities (UK) Inc. 1-3 Strand, Trafalgar Square London WC2N 5HE Fax: 0171-414 6941 Tel: 0171-439 4191

Prudential-Bache

Securities

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Documentation and **Transaction Executive**

he Industrial Bank of Japan is one of the leading Financial institutions with a

As part of the ongoing process to Improve systems we require a Documentation and Transaction Executive to be responsible for security, acts and loan monitoring. Applicants will be r with bank operational matters and will be capable of technically assessing the quality of compliance and be able to advise on legal-technical es relating to loan agreements and transactions.

Applicants must have a relevant degree ported by proven exposure to UK and Japanese I documentation. As some of the documentation is se the ability to speak and write in Japan

A highly attractive salary will be offered together with a valuable package of banking benefits. Please send your full CV to: Kim Cowling, Personnel Manager, The Industrial Bank of Japan, Limited, Bracken House, One Friday Street, London EC4M 9JA

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The successful candidate's duties will include analyst performance evaluation, marketing request support, emerging markets and small cap research, factor model

Please send your C.V. with current salary details to: Anita Taylor, Cursitor Aliance Management Ltd., 53 Stratton Street,

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national agierenden Vertrieb der LGT Asset Management GmbH ausbauen. Deshalb

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Ein abgeschlossenes wirtschaftswissenschaftliches Studium; mehrjährige Erfahrung im Investmentbanking: Kompetenz in schriftlicher und mündlicher Kommunikation; sehr gute PC-Kennmisse; ein hohes Maß an Kreativität und exzellente Englischkenntnisse.

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Requirements: candidates must:

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have equivalent professional experience, duly evidenced by supporting documents, as a conference interpreter, □ have a perfect command of English and a thorough knowledge of at least three

official languages of the European Communities, including Italian or Dutch. Further information and the mandatory application form may be obtained upon

request in writing (ref.: Official Journal of the E.C. of 11 May 1996) to: the Personnel Division of the Court of justice of the EC, L-2925 Luxembourg. The final date for receipt of applications is 14 june 1996.

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A timely opportunity to join our client looking to recruit Lending Managers and Assistant Lending Managers. Responsibilities will include providing quality support to Senior Managers in managing and developing business with sizeable and often financially sophisticated borrowers. Duties will involve leading and representing the bank in negotiation with a portfolio of large customers and new business development to generate additional income from quality borrowers and/or projects.

ORIGINATION SUPPORT/ANALYST-SECURITISED PRODUCTS

Our client a major European bank is keen to identify an additional member to join their Asset-Backed team. This will be a varied role and will include the valuation and analysis of risk in the structure of asset and mortgage-backed securities, asset-backed syndicated loans, bilateral receivable pool purchases and conduit structures. The role will also involve supporting the arranging, structuring and documenting of securitised transactions.

CREDIT ANALYSTS

An outstanding opportunity to join one of the world's most prestigious and respected banks, looking to recruit credit analysts at various levels. Our client takes career progression seriously, offering exceptional opportunities for continuous development to individuals who enjoy the challenge of an analytical role and those interested in progression to marketing.

For further details please contact or forward your CV, to Peter Brooker, Associate Director



Fax No. 0171-256 8501 Opportunity to join a major fast growing group with over \$20 billion under management in London, with scope for career progression in other areas of the business.

RECRUITMENT CONSULTANTS GROUP 2 London Wall Buildings, London Wall, London EC2M SPP

ALPS

ASSISTANT COMPLIANCE OFFICER

CITY

- ACCOUNTING OR LEGAL BACKGROUND

Tel: 0171-588 3588 or 0171-588 3576

£25,000 - £30,000 + BONUS **GLOBAL INVESTMENT MANAGERS**

Our client's funds have grown rapidly and are invested in the full range of instruments and markets. The compliance policies and control procedures are well-established. The successful applicant will design and implement a compliance monitoring programme for the London and other European offices and ensure compliance with IMRO and SEC rules and the firm's procedures. The challenge is as much in getting the fund managers to work to the procedures and seeking out potential problem areas as in the monitoring process. We seek a young graduate, part or recently qualified accountant or lawyer, with excellent computer skills and ideally some experience in financial services. The position calls for a strong, persuasive personality and it is an environment where adaptable, innovative people thrive. Applications in strict confidence under reference ACO5524/FT to the Managing Director, ALPS.

Quantitative Analyst

- London -

testing and maintenance of valuation models.

London W1X 6JJ

INVESTMENT MANAGER EVERY & PHILLIPS AND DUNNINGS

Leading East Devon Solicitors seek experienced manager for

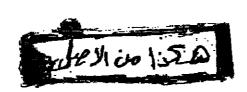
newly formed Investment Department.

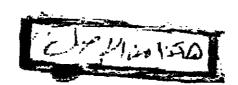
Extensive knowledge of UK and overseas stockmarkets required together with flair for business development.

Ambition and commitment will be rewarded with

performance incentive.

Please write with full CV to Richard M P Howe at 130 High Street, Honiton, Devon EX14 8IR.





COMMERCIAL ANALYST

Frankfurt or Basingstoke

DM/£Excellent

Our client is the largest commercial bank note and security printing company in the world. Following an internal promotion within one of their key operating divisions, an opportunity of unparalleled potential now exists for a highly motivated fast track finance professional. Working within a technologically advanced business unit, specific responsibilities encompass the German subsidiary based in Frankfurt.

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- Operating division of a major UK listed blue chip PLC Leading provider of banking equipment to German
- Significant client base; customer orientated approach
- Dynamic and entrepreneurial environment
- Highly prontable; huge growth potential Creative and innovative; at the forefront of specialist system, design

THE PERSON

- Age 28-33, at least 3 years pije
- ACA, CIMA, ACCA qualified
- Proven track record of commercial analysis within a blue chip organisation
- Fluent in English and German
- Knowledge of UK/German GAAP Value added approach
- Management presence; strong influencing skills

- Direct reporting to the Divisional Financial Director
- Pivotal role between finance and operations Commercial analysis of business performance
- Capital appraisal and financial review
- Budgeting and cash flow forecasting
- Enhancement of existing internal systems ■ Ideally based in Frankfurt; Basingstoke will be considered

This role attracts a high basic salary, significant bonus, car and relocation assistance if necessary. If you would like to discuss Sharmila Sharon Parekh or James Heath at Executive Match on 0171 872 5544, or write enclosing your CV quoting ref. S/460.

EXECUTIVE MATCH Trafalgar Square, Loudon WC2N 5BW.

(Fax: 0171 753 2745)



Audit Managers

Leading UK Multinational

Outstanding career opportunities for fast-track finance professionals c.£60,000 + Car + Bonus

West London

This prestigious international services organisation enjoys a world class reputation for its financial strength, innovative marketing and quality of customer service. The group is committed to maintaining its leading international position through continued investment in effective performance improvement initiatives.

The Internal Audit function has an excellent record of promoting ambitious individuals into senior financial management roles, and successful candidates can look forward to fast-track career development across the group. Recent promotions have caused the need for two high calibre audit professionals.

Reporting to the Chief Internal Auditor, the Audit

 perform financial and operational audits on a worldwide basis, undertaking up to



independent, resourceful approach and the ability to work with limited supervision. Please send a full CV in confidence to GKRS at the address below, quoting reference number 524J on both letter and envelope, and including details of

add value to the business by recommending

improvements to management controls and identifying opportunities for cost efficiencies and profit improvement:

lead sizeable audit teams on assignments, developing

Candidates will be graduate qualified accountants, probably aged late twenties to early thirties, with a

successful track record in audit within a fast-moving,

international corporate environment. Sound technical

ability, a high degree of commercial awareness and first

class communication skills must be combined with an

assessment and training.

subordinates through regular performance monitoring,

SEARCH & SELECTION CLAREBELL HOUSE, 6 CORK STREET, LONDON WIX 1PB. Tel: 0171 287 2820

c. £80,000 + bonus

+ benefits

TUSSAUDS

Finance Director

Madame Tussaud's, Alton Towers, Chessington World of Adventures and Port Aventura in Spain form part of The Tussauds Group, a subsidiary of Pearson Pic, a FTSE 100 constituent, and one of Europe's largest operators of visitor attractions. With revenues approaching £150 million and some 12 million visitors a year, the Group's strategy is to build on its position as the most profitable, high quality visitor attraction operator in Europe, through the development of other sites and businesses globally. Due to retirement the Group now seeks an experienced, commercially focused finance professional with a real talent for delivering imaginative financial solutions. "A seriously enjoyable career opportunity"

- Reporting to the Chief Executive, with broad responsibility for group strategic financial planning, managing and developing an established group finance function and providing guidance to subsidiary Finance Directors.
- Structuring and delivering funding for asset-backed new developments, negotiating with principals and raising investment from joint venture Partners and the Parent
- Developing effective mechanisms to evaluate key performance indicators in the existing portfolio and supporting the fussauds board in maximising Pearson and joint venture Partners' shareholder value,

Manchester 0161 499 1700

THE QUALIFICATIONS

- Creative ACA/MBA, aged 35+, with a sound appreciation of international business development, ideally property related, with prior exposure to treasury, particularly crossborder cash management. A second European language
- Natural communicator and negotiator with strong lateral thinking ability and the vision and determination to workable business solution
- Energetic leader, with strong financial management and IT skills, able to enthuse staff and peers and make an early and significant impact on the business.

London Q171 493 1238

Selector Europe Spencer Stuart

£60,000 package

Prominent UK Plc

A GKR Group Company

London area

Finance Director

Recent promotion at this c. £250 million turnover core division of a market-leading plc necessitates the appointment of a commercially astute Finance Director to lead the finance and IT function. Challenging and demanding role, assisting the Managing Director in enhancing the strategic growth of the division, building on success to date. Excellent opportunity for enterprising finance professional seeking first significant FD position

- Responsible to the Managing Director for the circa 30-strong finance and IT function, providing a firstclass service that supports the needs of a growing
- Further develop budgetary controls and management information systems whilst overseeing the implementation of a major IT investment programme aimed at optimising business efficiency and
- Board member with significant input to the strategic direction of the division, including evaluating new business opportunities and advising on innovative project financing.
- THE QUALIFICATIONS
- Qualified accountant, currently a Financial Controller or Divisional Finance Director within a sizeable organisation, with proven fast track career progression and operational experience.
- Will have successfully operated within a large project management environment and have overseen the implementation of sophisticated, integrated IT
- Authoritative leader and man-manager capable of developing the team whilst possessing the personal maturity and credibility to provide guidance to the

Leeds 01 I3 2307774 London 0171 493 1238 Manchester 0161 499 1700

Selector Europe Spencer Stuart

Financial Controller

Switzerland

entrepreneurial.

£ Excellent + Expat Bens

is rapidly becoming a major force in its field of commodities and related services. With 14 offices worldwide and driven by a dynamic management team, the company is perfectly positioned for further controlled growth. The company culture is both competitive and

There now exists a requirement to augment the management team in Switzerland with the appointment of a high calibre Financial Controller. Reporting to two of the founding Directors, the role is extremely high profile and encompasses the entire financial management of the operation. Specifically, this will involve the financial planning and analysis,

Founded three years ago, our client and liaising with external advisers.

This opportunity will appeal to a commercially orientated accountant (aged 28-35) with a minimum of two years post qualification experience gained in commerce. Whilst the ability to take a hands on approach is essential, candidates must also demonstrate the potential to contribute to the strategic development of the business and to communicate effectively at all levels. Knowledge of commodities is desirable but not essential. Key qualities include a high level of intellect, strong interpersonal skills and an evident track record.

Benefits include an attractive remuneration package and the management of a small team, opportunity to develop a fast track career within a rapidly expanding international financial reporting international group.

Interested applicants should write, in the strictest confidence to Robert Walker or Brian Hamill at Walker Hamill Executive Selection, forwarding a curriculum vitae quoting Ref. RW 2467.

Finance Director

North Wales TEC

c.£45,000 + Car & Benefits

North Wales

North Wales TEC will be formed from the first ever merger of two TECs, Targed and Training & Enterprise. The aim is to become a Centre of Excellence for stimulating and encouraging enterprise and to make a real impact on the economic future of the area. This high-profile initiative creates an opportunity for a commercially-minded Finance Director to contribute to merging two very different cultures and manage a budget of £25m.

THE POSITION

- Contribute to strategy. Prepare corporate and annual business plans. Institute and maintain financial control
- Support income-generating initiatives including sourcing European grants. Maintain close links with
- central governmen Lead, motivate and develop Finance and IT team of up to 30.

- Professionally-qualified accountant with proven experience of specifying and developing IT systems
- and public accountability. Strategic with broad and commercial outlook. Able to see and maximise benefits of partnership.
- ◆ An understanding of North Wales and a genuine sensitivity to its economy, language and culture.

North Wales TEC will be an equal opportunities employer.

Please send full cv, stating salary, ref MN60502, to NBS, Courthill House, Water Lane, Wilmslow, Cheshire SK9 5AP





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Risk and Product Control

Outstanding Opportunities

UBS is one of the world's largest banks and is a growing force in integrated investment banking. As one of the few AAA-rated financial institutions in the world, we have a strong global presence in Debt and Equity Markets, Corporate Finance and Derivatives. The Product and Risk Control function within UBS London is

located on the trading floor and requires close liaison with traders and senior management of regional and global businesses. In order to continue the development of these functions, we are

- looking to recruit for entry-level positions in Debt Risk Control and Equities Product Control, covering: Daily risk and P&L verification, reporting and analysis. Analysis and commentaries of financial and non-financial
- performance. • Involvement in the implementation of new products. Major project development, including on going development of the current Value at Risk system.

Catriona Dunn UBS Limited 100 Liverpool Street ndon

Successful candidates are likely to have the following background: • Recently qualified accountants (ACA, CIMA), preferably Big Six/Blue-Chip background.

 Strong academic background. · Excellent written, oral communication and analytical skills.

 Enthusiasm and drive. · Ambition and proven ability to work in a dynamic and challenging team environment

These high profile positions offer the perfect opportunity for the successful candidates to make their mark on and build a career with UBS. As well as an attractive salary and cureer prospects, these positions carry a comprehensive benefits package including a discretionary performance award. UBS is committed to staff development and offers a formal structured training programme.

Interested candidates should send a detailed CV to the address below.



EUROPEAN CORPORATE AUDITOR

COMPETITIVE PACKAGE INCLUDING

CAR & BONUS BASED IN WEST

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Alamo

general use car rental company in the Europe. world. They operate from 135 locations in the US and Canada and operate from 160 locations in 10 countries in Europe with an to be: average fleet of 128,000 vehicles. By offering an unparalleled service to their customers Alamo has maintained an * impressive compound annual growth rate of 23% over the last ten years.

Alamo is the largest independently owned

Consequently they have identified the need for a European corporate auditor to examine the pan European operations of this dynamic business. Reporting to the Director of Internal Audit at Alamo you will be responsible for reviewing and

evaluating all accounting, financial control

and management information systems in

The successful candidate will ideally need

- "Big 6" qualified with 5 years poe Experienced in International audit. preferably within a service
- oriented business. Manure, resourceful and able to
- work independently. Able to undertake extensive European travel.
- Fluent in German and English,

Headquarters in Fort Lauderdale, Florida. Suitable candidates should respond in confidence to our retained consultant Philip Macdonald at the address below.

Wade Macdonald Associates

Hedrich House, 14-16 Cross Street, Reading, Berkshire RG1 ISN. Tel: 01734 560600 Fax: 01734 583120 Email: nic@wademac.demon.co.uk

c £30,000 + Full Banking Benefits

The leading investment banking subsidiary of one of the world's largest banks is continuing to develop and diversify its Eurobonds, Government Bonds, and Investment Management businesses.

This is a new position, resulting from the expansion of the company, and will report to the Deputy Managing Director responsible for Corporate Planning. Prime responsibilities will be to work within a small team which is dedicated to the organic growth of the Company. The brief is wide, involving long-term planning, interpretation of strategic issues in confunction with line management, and worlding alongside business areas to formulate and implement new business proposals.

Suitable candidates should ideally have the following profiles-

 Education to degree level.
 A minimum of 4 years work experience, particularly in project management Well-developed interpersonal and numeracy skills.
 A high degree of PC liceracy as this role will involve the creation and utilisation of financial models.

Prior experience of the securities business is not required, but an apolitude and desire to develop such

8 Upper St Martin's Lane, Covent Garde London WC2H 9DL Tel: 0171 240 2101 Fax: 9171 240 2060

Gary Hall at Hall Alexander on 0171 240 2101 ng Ref GH1020 or write to him enclosing a full PLANNING & FINANCIAL MANAGER

City

c£40.000 + Car + Benefits

Our client is a leading international financial services organisation, with an established reputation for innovation and creation in a highly competitive market. As a result of recent success, an opportunity now exists for an ambitious individual who is looking to develop a progressive

A key role in the senior management team, being responsible for the management and production of group financial reports and the development of reporting systems. The position requires the following skills and experience:

- A strong track record in the management of financial planning
 Proactive approach to the enhancement of management
- and budget formulation. information systems. Ability to communicate and liaise with people at all levels, combined

 Project leading assignments to develop financial and corporate

with strong staff management skills. In order to develop and perform within this role, candidates should be CIMA, ACCA or ACA qualified with 3-5 years commercial experience preferably within the financial services sector. Language skills in French or German are desirable

This position offers long term prospects for an individual who is looking to progress and create an impact. If you feel you could respond to the above challenge, send a CV quoting salary details, in confidence, to Richard Anson or Julie Thompson.

FMS, 5 Bream's Buildings,

Chancery Lane, London EC4A 1DY Tel: 0171-405 4161 Fax: 0171 430 1140 EMail: 100621.2024@compuserve.com

We have offices in London, Birmingham and Ma

Executive Resourcing

ASSISTANT TO CHIEF FINANCIAL OFFICER EUROPE

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D'Arcy Masius Benton & Bowles (DMB&B) is one of the world's largest advertising networks, with global billings in excess of \$5.0 Billion. Headquartered in New York it has 142 offices in over 56 countries. The DME&B's philosophy is to 'Create startling, innovative ideas that generate results' In Europe, DME&B operates through 56 offices in 24 countries.

The European finance headquarters office, in Frankfurt, is seeking a young dynamic individual to work directly with the Chief Financial Officer for Europe. As the assistant to the CFO, you will be responsible for dealing with a variety of financial operations - consolidation of European budgets, financial reporting and accounting, summarising monthly and quarterly results, budgetary control of key clients. You will work directly with the local subsidiaries and will be responsible for liaising with the Agency's executives in Europe and the USA. In addition, you will play an active role in the Agency's European acquisition strategy.

Aged in your mid to late 20's, the successful candidate will be an ACA or CPA qualified accountant from a recognised international accounting/audit firm. You will demonstrate a pro-active approach to financial management and have developed a strong communication ability, and the necessary skills to further develop your career in international financial management. Fluency in English is a

prerequisite, and knowledge of an additional European language would be beneficial. For an initial conversation about this outstanding career opportunity, please contact our advising Consultant Mr Mark Pockele, quoting reference F10049 on (Fax) +44 171 813 9479, or by post to FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, UK. Telephone +44 171 209 1000 for a confidential discussion.



Recent re-organisation of this dynamic and successful group, which is considering flotation, has created the need for divisional finance directors of autonomous and substantial businesses in excess of \$50m turnover. The group is a leading playing in a people intensive service sector with innovative and exciting plans for growth.

Reporting to a divisional managing director and a member of a small executive team, you will be responsible for providing financial management services to business general managers, including the formulation of plans, budgets and forecasts and the reporting and monitoring of financial performance. You will also provide strategic and operational support to the managing director and be expected to make a key commercial contribution to the development of the business.

You must be a qualified accountant, with at least 5 years post-qualification experience and now holding a senior position, preferably in a customer-focused service industry. In addition to the relevant technical and analytical skills, you should have a well-developed commercial awareness and good communication and presentation skills.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Peter Jones, Coopers & Lybrand Executive Resourcing Ltd, Abacus Court, 6 Minshull Street, Manchester MI 3ED; quoting reference P324 on both envelope and letter and indicating any constraints on location of employment.

EXECUTIVE CONNECTIONS

International Audit Director

Eastleigh - Hampshire

Warner Lambert is a company dedicated to serving the needs of people through the creation of superior consumer and pharmaceutical products. By providing products of high value Warner Lambert helps people around the world lead happier, healthier and longer lives.

A Fortune 500 company, Warner Lambert is a global organisation employing A Fortune 500 company, warner Lamoert is a global organisation employing approximately 36,000 people. The company is wholly focused on the research and development of a diverse portfolio of products. The company's portfolio of brands, which includes such household names as Halls, Listerine and Wilkinson Sword in addition to numerous 'OTC' and prescribed pharmaceutical products, generated revenues in excess of approx \$7bn last year.

The recent promotion of the current Audit Director to Finance Director of one of the company's divisions leads Warner Lambert to seek a suitably gifted and able replacement. Managing a highly skilled and qualified Audit team you will take responsibility for the planning and management of operational and EDP audits across all of Warner Lambert's operations in Europe, Asia, Australasia and the Middle East.

A role of such magnitude and profile requires an exceptional individual. As a qualified Accountant or Anditor you must possess highly developed people management skills, he a persuasive yet diplomatic communicator and be capable of inspiring the respect and confidence of those who work for and with you. You must possess a sound understanding of current audit methodologies, have gained at least 8 years' diversified experience in Public Practice or a major multinational and be prepared to commit to a high degree of international travel (40%).

Needless to say, this position offers a comprehensive and highly competitive remuneration package.

If you feel you can meet the challenges that this exceptional role offers then please forward your CV to our Consultants Anna Johnson or Paul Glattel at Executive Connections, 43 Eagle St, London WCIR 4AP. (Fax: 0171 831 4571). E-Mail: response@executive-connections.co.uk. If you have any questions, then please telephone them on 0171 242 8103 (evenings/weekends 01895 824057).
Please note any CVs forwarded directly to Warner Lambert will be passed to

WARNER LAMBERT

Finance Director

C£85,000 & bonus & car

Our client is a global Information Company with strong positions in the Financial and Business Information Markets. The business is a large scale user of existing mainstream and emerging multi-media technologies. Turnover is well in excess of £100 million and is set for further substantial growth by continuing international acquisition as well as organic development.

They now wish to recruit a high calibre Chartered Accountant who will lead the Finance and Administration function through a period of reshaping and development to match the changing profile of the organisation and the needs of the business managers, its own Board; and the Parent group which is a major quoted UK plc. Understanding the management of, and issues affecting, large scale information technology systems is a central feature of the organisation.

Applicants must be graduate Chartered Accountants with a first class track record and a minimum of 5 years experience at Controller or Director level in a fast moving international High-tech/business services environment. Outstanding financial and business analytical skills and a flair for communication need to be combined with the leadership qualities and the interpersonal and managerial skills to get things done within a larger complex corporate environment. Experience of successfully identifying, negotiating and managing acquisitions is important.

Location - Central London. Age guide line - mid/late 30's.
Please apply in confidence quoting ref: L607 to:

Brian Mason Mason & Nurse Associates I Lancaster Place, Strand London WC2E 7EB. Tel: 0171-240 7805.

Mason **Izzard** F- -

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APPOINTMENTS WANTED

European Finance Director

Highly commercial FCA, lateral thinker, Big 6 audit

& 15 years UK/US blue chip experience in Europe, fluent French, seeking new challenge within dynamic muttinational group in France or UK.

fax: (00.33).92.93.08.56, e-mail: fca@riviera.fr

Germany

This is an exciting opportunity to join a major multinational corporate with a global presence. This organisation is one of the market leaders in its sector.

As a member of the corporate management team, this new position will work closely with the Finance Director and will take full responsibility for managing the reporting function. This will encompass the monthly, quarterly and annual management and financial reporting, enhancement of accounting systems and ad-hoc projects. The Accounting and Controlling department will be a direct report.

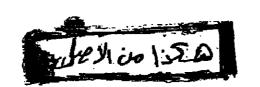
The successful candidate must have a proven track record of working in a fast moving, global environment. Specific experience of managing a large reporting team within a multinational is essential. In addition you will possess strong interpersonal skills with an international perspective coupled with a persistent nature to achieve the right results.

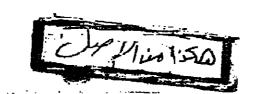
up to DM 275,000 + Bonus

A Chartered Accountant aged between late 30's and early 40's, you will have 15 years. plus post-qualifying experience within a group accounting role. Cultural awareness of the German marketplace and fluency in German and English are prerequisites. Computer literacy is essential together with experience in PC based reporting

The package will include a basic salary up to DM 275,000, depending on experience, plus the other benefits associated with a quality organisation. The individual's career aspirations should be targeted beyond this role.

For further information in the strictest confidence, contact Anthony Cook or Raj Munde on 0171 240 1040. Alternatively send your resume quoting reference number 2082/02 to Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN. Fax no: 0171 240 1052.











DEVELOPMENT MANAGER MONEY MARKETS





General Motors International Operations



Information Security Manager Competitive Salary + Car + Benefits

General Motors International Operations (GMIO) is a major Business Sector of General Motors, the world's largest company and includes operations in over 40

We are seeking a high calibre individual to work within the Information Management function reporting directly to the Executive Director of Business Process and Information Management. Based in either Frankfurt, Luton or Zurich, the successful candidates will spend approximately 40% of their time at other international

The Key Job Responsibilities will be:-

- To develop, establish and maintain an Information Security Plan for GMIO, including the following:
 - An Information Security Policy.
 - A Security Risk Assessment Methodology. - Security metrics for regular reporting to GM Management.
 - Security awareness campaigns.
 - IT infrastructure security components.
 - Information classification and retention

· Co-ordinate the implementation of the plan within the GMIO business units.

- · Co-ordinate with legal, audit, internal control and corporate security functions on security related
- · Liaise with application development and quality assurance functions on security related issues.
- Liaise with legal and business functions on Data Protection requirements.

The Key Job Qualifications are:-

- Graduate with extensive practical experience of Information Security Practices and Issues as they impact a global company.
- High level of analytical & problem solving skills. • Good team player with experience of multi-cultural organisation.
- · Ability to work at all levels within the

Reply in strict confidence quoting reference ISM with CV and relevant experience by 16th June 1996 to:-Victoria Taylor, GMIO P.O. Box, Stelzenstrasse 4, CH8152 Glattbrugg, (Zurich), Switzerland.

BZW FRONT OFFICE

Global Money Markets & Foreign Exchange

For further information about these roles and the opportunities awaiting you, please contact our advising consultant. Keren Niddlesex Street, Landon El 7JH. Fac +44 (1) 177 247-7475

McGregor # Boyall

SENIOR WINDOWS

El lighly Competitive

to lead a team of 10-12 Programmer/Analysis curt

The successful cardidates will have backered for the cardidates will be be backered in C. C. Warden. All development and SI. J. Warden. All development and SI. J. C. J. Warden. All development and SI. J. C. J. Warden.

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INVESTMENT BANKING, FROM A TO





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City Appointments



Senior Opportunities in Financial Markets Selection

Managing Consultant INFORMATION TECHNOLOGY

circa £100,000 + car and benefits

The Role is ...

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to £45k

- to personally deliver successful recruitment services at management and senior technical levels to act as a mentor and role model to Senior Consultants, Consultants and Support Consultants within our firm
- to identify and help develop business opportunities within existing and potential clients The Candidate will....
- be a highly intelligent (almost certainly a graduate) individual in their early 30s
 possess a minimum of five years' relevant experience which can have been acquired from a diversity of backgrounds including, recruitment consulting, HR, technology consulting or end user technology management (the latter must have included a significant element of team
- selection and management]
 display excellent communication and presentation skills
 show reasonable familiarity with business and technology trends within financial markets
 have the ability to work both independently and as a leader of multi-level teams
 - se strongly service- and delivery-oriented

McGregor Boyall Associates are a leading selection consultancy specialising in the recruitment of 17 management and technical personnel for financial markers organisations in the UK and Europe. Established for ten years we have consistently recorded year-on-year growth and developed an enviable client base of UK, US, European and Japanese firms. To help us sustain and increase our UK and international profile, we are seeking to attract two outstanding individuals to occupy senior positions within the firm.

For further details about these opportunities, please contact Laurie Boyall on our confidential telephone or fax line: 0171 247 1906. Alternatively, send your CV, quoting the appropriate reference number, to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. email: lboyall@mcgregor-bovall.co.uk

BUSINESS DEVELOPMENT MANAGER

circa £100,000 + car and benefits

- The Role is... to create and develop business opportunities within existing and potential clients.
 to work effectively with consulting teams to ensure the delivery of successful selection
- to produce and present clear and concise plans and to present these plans to senio · to identify new market opportunities where appropriate
- The Candidate will...

- be in their early 30s
 bave a successful track record of service or consulting sales
 have a graduate or professional qualification
 have a strong awareness of business and technology trends within financial markets
 combine a desire and ability to work independently with a recognition of the value of
- team working

 be service and delivery oriented

McGregor ■ Boyall

BANKING/FINANCIAL

FIXED INCOME

Business Analysis with an excellent knowledge of either Fixed to £50k. Leading Investment Bank seeks high calibre developers with to £60k + BANK international finance house. Charged with the analysis of a BENS number of new front office systems, your superb communication and Object Orientated analysis skills will be well rewarded. These are excellent opportunities to gain project ownership in a technologically advanced organisation.

WINDOWS NT

Leading Investment Bank developing new applications for Equity Sales staff on the trading floor requires developers to work in elite team. Systems are implemented using Client/ Server technology including Visual Basic, Excel, Visual C++. ODBC and SYBASE. You should have a minimum 2 years' Chent/Server development using some of the above technology. You will be involved in all aspects of the development life cycle and work closely with the business.

C + + /MATHS

Two financial engineers required with solid mathematics and C++ expertise. As integral members of a team supplying to £40k £30-50k market risk information for fixed income, your primary +BONUS activities will include relative value analysis, statistics and development of pricing tools for the trading desks. Highly numerate technicians with superior intellect need only apply.

SYBASE

Income products or Equities are required to join this + BANK solid SYBASE skills incorporating both design and development. Working alongside the traders, you will develop real-time applications so experience of C or POWERBUILDER and Rapid Application Development would be an advantage. Strong communication and presentation skills are essential. Superb opportunities to fast track your career

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Premier Investment Bank requires high calibre developers. Based on the trading floor, you will develop analytic applications supporting a diverse group of Fixed Income products. Environment is SUN/UNIX CSYBASE moving to Object-Oriented architecture including C++, Rogue Wave libraries, Object Centre and Rational Rose. Good degree, strong C/C++ programming and solid design skills. Preference given to candidates with SYBASE and financial expertise.

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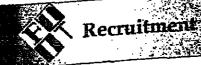
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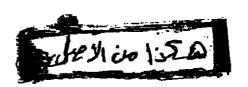
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CURRENCIES AND MONEY

MARKETS REPORT

Rand lower but stable after government split

The South African rand weakened again yesterday after Mr F W de Klerk, the deputy president, announced the National Party's withdrawal from the government

The Spanish peseta fell after Mr Rodrigo Rato, the economy minister, raised concerns about Spain's ability to join in Euro-pean monetary union. Mr Rato said it was realistic to "stop the clock" towards a single European currency so that more countries could join

The D-Mark's revival continned amid growing optimism about the strength of the German economy. Worries that Emu might not start on time also buoyed the D-Mark

The dollar came under some pressure late in the European session, particularly against the yen, despite earlier rumours of Bank of England intervention on behalf of the

a

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Bank of Japan to support the US currency. The dollar closed in London at Y104.7450, from Y105.23. Against the D-Mark, it finished at DM1.5168, from DM1.5162 DM1.5183.

Sterling had another good day, remaining firm against the dollar and the D-Mark. It finished at DM2.3103, from DM2.3019. Against the dollar, it closed at \$1.5232 from \$1.5162. The rand closed at R4.5025 against the dollar, from

■ The rand's troubles continued yesterday but analysts were confident that the worst was now probably over. It weakened against the dollar, but its fall was significantly smaller than Wednesday's decline which had come in

Pound in New York 1.5225 1.5217 1.5204 1.5165 ~ Prev. close · 1.5145 1.5137 1.5124 1.5095 anticipation of Mr De Klerk's Peseta

Mr David Bloom, an economist at HSBC James Capel in London, said: "Although sentiment is pretty poor we have seen the biggest chunk of the sell off." But he said there might be further nervousne in currency markets ahead of delayed local elections.

He calculated that 68 per cent of investment flows into South Africa last year were in the form of short-term portfolio flows, or "hot money", rather than long-term investment flows. "The problem with that is that it runs as quickly as it

arrives," he said. The rand fell about 9 per cent last month despite the reserve bank spending more than R2bn to support the currency. There is now growing concern about the bank's low levels of reserves, amid speculation yesterday that the authorities might raise interest rates as soon as today to defend the currency.

ainst the D-Mark (Pta per OM)

■ Recent signs of incipient strength in the German economy appears to be causing a which gathered further upward momentum yesterday - at the expense of the more peripheral

European currencies. Mr Kit Juckes, at NatWest Markets in London, said: "A lot of positions this year are based now very easy and it is only a matter of time before the econ-

omy surprises with growth."

Signs of D-Mark resurgence appears also to be casting some oubt on the start date of Emu. The D-Mark's weakness earlier this year relieved pressure on other countries, allowing them to cut interest rates and sup-porting the push towards Emu by 1999. But stronger growth in Germany throws into question further interest rate easings

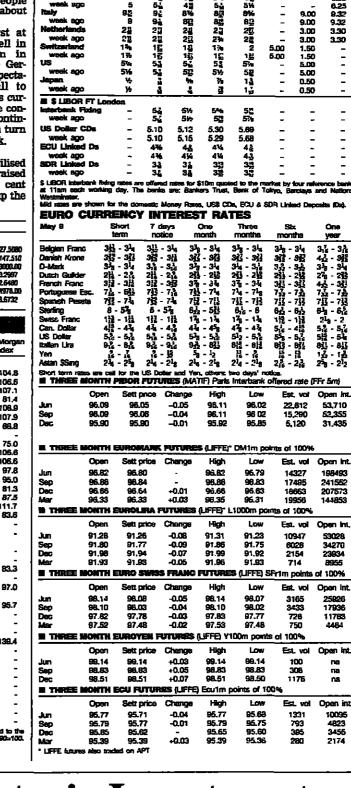
The Spanish peseta was the biggest casualty yesterday its decline exacerbated by Mr Rato's comments - following declines in the Swedish krona on Wednesday.

Mr Mark Cliffe, economist at HSBC Markets in London, said the economy minister's remarks were "an indication that they really believe they're going to find it tough to reach

the starting line by 1999."
Mr Juckes said the comments also fuelled fears that Spain might resort to competi-tive devaluation if the peseta were left out of the single currency. "That is why people have been having doubts about

Mr Kay Haigh, analyst at Deutsche Morgan Grenfell in London, said attention in Europe was now on the German repo rate. He said expecta-tions that it would fall to around 3 per cent from its current 3.3 per cent might be confounded if the economy continued to strengthen. This in turn would support the D-Mark.

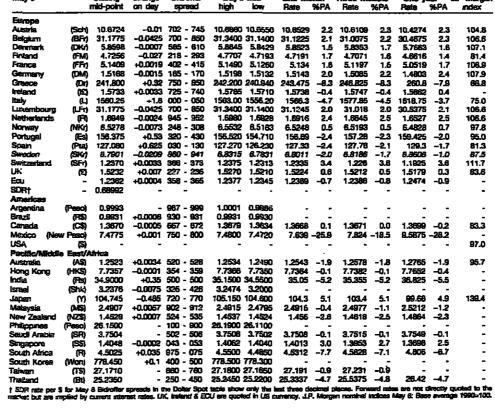
■The Bulgarian lev stabilised after the central bank raised interest rates to 108 per cent from 67 per cent to prop up the

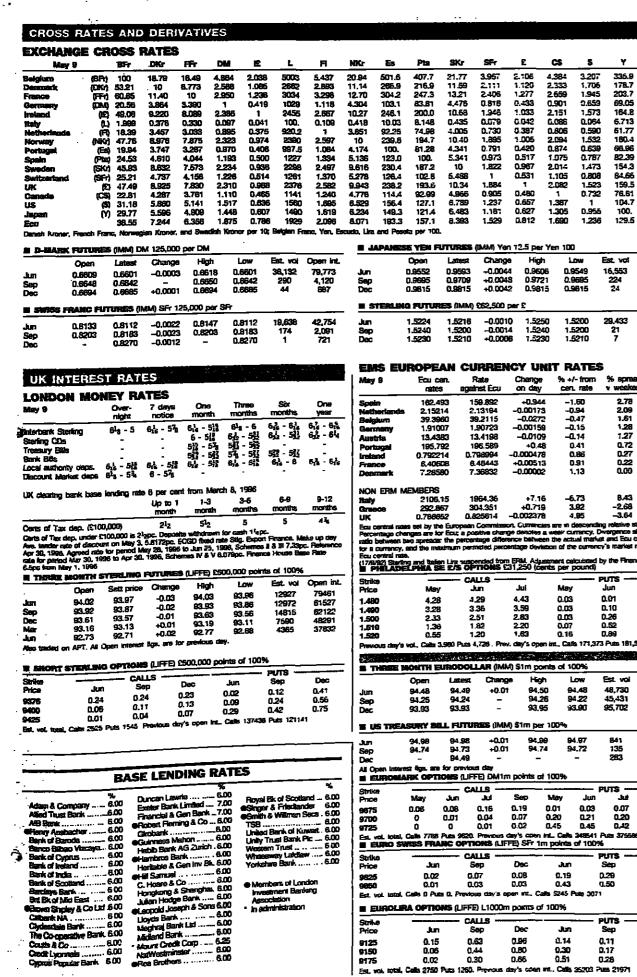


WORLD INTEREST RATES

MONEY RATES

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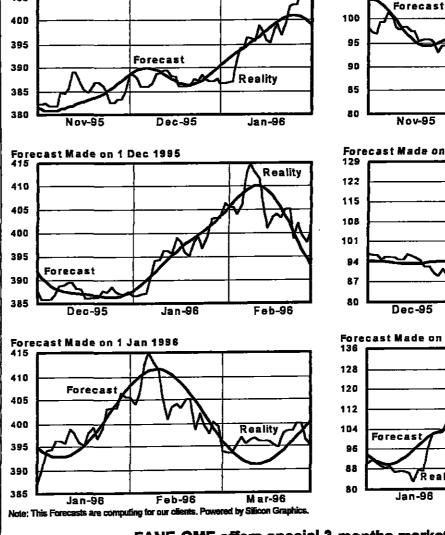


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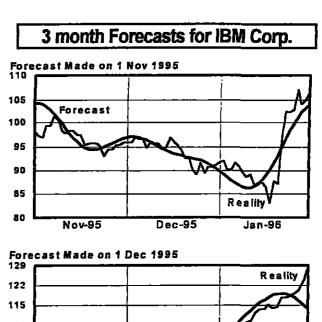
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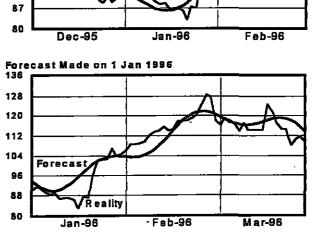
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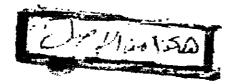
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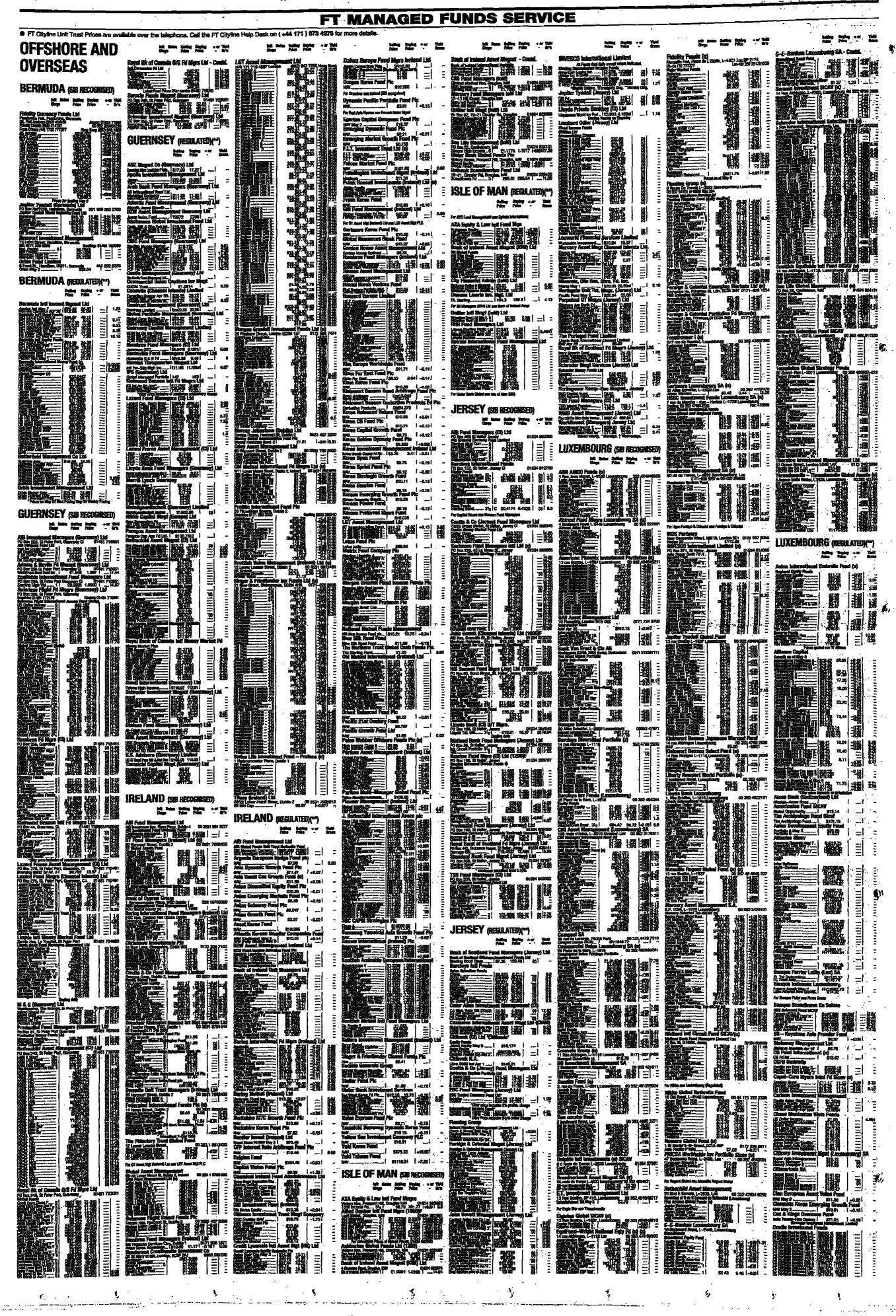
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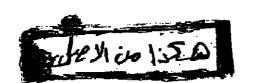
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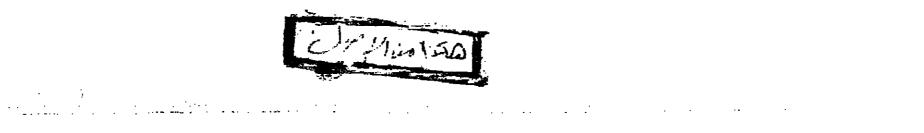
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THANAGED FUNDS SERVICE O

LONDON STOCK EXCHANGE

MARKET REPORT

Change of heart on Wall St induces good rally

By Steve Thompson, **UK Stock Market Editor**

The astonishing overnight recovery by Wall Street, where the Dow Jones Industrial Average rallied from an earlier 78 point fall to end with a 53 point gain, transformed the mood of London's equity market yesterday.

And another buoyant start by Wall Street helped London, and other European markets, maintain their earlier strong performances.

Adding to the positive mood in London was a strong set of first quarter figures from Shell Transport, a handful of excellent market debut performances and good news

from Scottish Power.

A sequence of five straight losses by the FT-SE 100 index was brought to a halt; Footsie ended the day a net 21.0 higher at 3,728.3.

The big gains across the leaders did not filter through to the second liners which made a lack-lustre showing and restricted the FT-SE Mid 250 index to a mere 1.0 gain at

But senior dealers around the City's trading rooms were quick to point out the relatively low level of trading activity yesterday and said most of the big marketmakers had been caught on the wrong foot by the big swing on US markets on Wednesday evening.

The shift in the US was triggered by news that the Beige Book published by the US Federal Reserve included a reassuring assessment of inflationary pressures. This produced a massive swing in Treasury bonds, which rallied from showing early losses to close with gains of around 1% points. The fall in the yield on the long bond to below 7 per cent was interpeted as

extremely bullish by UK traders. The FT-SE 100 index kicked off in good shape, up 16 points, and quickly made further progress in the wake of the Shell figures, talk of a couple of programme trades, weighted on the buy side, and the usual bout of takeover stories.

On the other hand, traders noted formance left market forecasts that many of the most plausible takeover stocks, which have been behind the market's strong showing since the middle of last year, had underperformed.

These included the likes of Cable & Wireless, Standard Chartered. Zeneca, Southern Electricity, Pearson and Royal Bank of Scotland. Thorn EMI was an early loser but subsequently rallied strongly to close with a useful gain.

Shell captured the limelight early in the session and remained the London market's shooting star for the rest of the session, with the rise in its shares alone worth 7,1 points on the FT-SE 100. Shell's profits per-

NatWest Securities said to shares and uncertainty about

have carried out a big trade in/ current year profits from Cad-

which it switched a block of

Rank Organisation shares into

Granada. Rank shares gave up

Granada stock were traded at

882p a share and a block of

about 58m in Rank was dealt

at 531p a share. Volume in

Granada at the close stood at

6.2m, while that in Rank was

and, in a detailed note to inves-

tors this week said: "The trad-

ing environment, news flow.

valuation and strategic options

all point to further outperform-

Associated British Foods

jumped 10 to 386p following an

SBC Warburg recommenda-

tion. Mr Mark Duffy at the

securities house said; "We reit-

erated our buy stance on AB

Foods partly due to recent

underperformance in the

NatWest is a fan of Granada

considerably higher at 11m.

Dealers said around 3.7m of

6 to 533p.

bury Schweppes and Tate & Lyle." Cadbury Schweppes

ents to "add" to holdings.

BSkyB fell 10 to 442p. The

company held a conference call

on Wednesday which disap-

pointed some analysts. And it

was announced vesterday that

the finance director, Mr Rich-

ard Brooke, had sold his hold-

ing in the company.
ICI added 6 at 884p, after

Shell's first-quarter results

highlighted improving trading

conditions in parts of the hardhit chemicals industry.

BOC rose 17p to 907p in thin

trading, as the market antici-

pated next Tuesday's results.

Profit forecasts for the second

In the retail sector, Dixons

was weak for the second day

running, dropping 6 to 476p.

Some analysts said the cause

could be recent media claims

that the chain had sold a small

number of returned goods as

House of Fraser stirred 3 to

167p, with an announcement

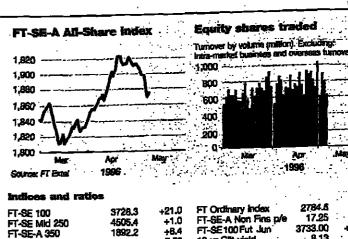
that Franklin Resources - a US

quarter are £110m to £120m.

miles behind and analysts were busy upgrading their forecasts and estimates as the market closed.

Another story gathering pace towards the close was the heavy buying of General Accident, the composite insurer, which many analysts said could be the next takeover target in a composite insurance sector being dubbed "Recs mark two."

Turnover in equities reached 718m shares at the 6pm calculation with non-FT-SE 100 index stocks contributing 54 per cent, lower than in recent sessions. Customer activity on Wednesday was worth



3733.00 +24.001892.2 +B.4 10 yr Gilt yield T-SE-A All-Share Long git/equity yid ratio: 2,25 FT-SE-A All-Share yield Extractive industries Oit: Integrated Mineral Extraction -0.6 .+1.8 Engineering: Vehicles Insurance Building & Construction Textiles & Apparel

Analysts go well with Shell

The best ever figures in a single quarter gave Shell Transport one of its best ever stock market performances. Shares in the oil giant leapt 40 at one stage before closing 351/2 up at 887p. That rise alone

gain in the Footsie. Investors were responding to a 24 per cent profit rise, as well as hopes of some form of return of value to sharehold-

inted 30 per cent of the

Analysts upgraded forecasts. Mr Fergus MacLeod of Nat-West Securities lifted his endof-year estimate by £300m to £5.13bn. He also believes the company will use some of the £680m net cash to hike the div-

idend by 13 per cent. Mr Paul Spedding of Kleinwort Benson, who had been at the more bearish end of the market - principally on oil price concerns - has raised his full year forecast by £700m to £5bn and believes the dividend

will rise by 8 per cent. said: "These results could sig-nal a new era in which Shell pleases rather than displeases the market. The figures were 20 per cent above the range of forecasts and greater than can be explained by the current environment." SGST remain around the top of the range at

raised its forecast to £5.1bn,

Turnover

Pre Tax Profit[†]

Highlights

Earnings per share[†]

Dividend per share

Irish listed company.

Rolls roller coaster Engineering leader Rolls-Royce was actively traded on a day of divided loyalties. A fierce two-way pull in

the shares pushed turnover up

to 10m. Initially, the news that General Electric and Pratt and Whitney of the US are to collaborate on aero-engines provoked competition worries and the shares were marked

sharply lower. But sentiment swung about throughout the session. On the downside, dealers hoping for a link between Pratt and Rolls were disappointed. The positive talk centred on the pros-pect of greater price discipline within the industry. "The tendering field is effectively reduced from three to two" said one analyst. At the end of the day, Rolls' shares were a penny easier at 220p.

Siebe, a dull market lately, rebounded 17 to 850p following positive contract news from the Middle East. A negative annual meeting left Glynwed International 6 off at 351p.

Mr John Toalster of SGST GenAcc speculation

Takeover rumours bubbled at General Accident. But analysts said the rise of 21 to 651p could have had a more technical rationale.

Mr David Hudson of Credit Lyonnais Laing pointed out that the insurer pays its 20p dividend on Monday. He suggested that as it goes ex the ABN Amro Hoare Govett dividend so late, in comparison aised its forecast to £5.1bn, to the other financials, it might citing strong evidence of vol- have slipped the collective

VEFFERSON

GROUP plc

Year ended

31 Dec '94*

IR£000

1,710m

118.8m

Year ended

31 Dec '95

IR£000

3,033m

420.1m

ume growth and cost reduc- minds of some income funds. The shares also benefited from the bounce in US bonds and equities to which GenAcc

is heavily geared. Finally, the merger of Royal Insurance and Sun Alliance last week has reminded the market that the composites are ripe for consolidation.

Vodafone was the most active Footsie stock with a two-way pull hoisting turnover to 13m shares. News from the mobile phone equipment makers appeared to provoke most

Finnish giant Nokia claimed pricing pressure had pushed its cellular side into the red for the first quarter. And Telspec, the small UK specialist producer, announced weak first half trading. Vodafone ended a penny better at 248p. Telspec crashed more than 32 per cent, closing off 242 to 513p. Leisure giant Granada

Group rose 13 to 828p, with

FINANCIAL						W	41.Fab	-
	Nay 9	MHP/ 0	Mary (may 3	May 2	At ago	Lingin	Low_
Ordinary Share	2784.5	2772.0	2796.4	2803.5	2809.7	2514.1	2685.2	2696.7
Ord. div. yield	4.00	4.02	3.98	3.97	3.95	4.20	4.06	3.76
P/E ratio net	16.35	16.26	16.41	16.47	16.53	16.70	17.25	15.96
P/E ratio nil	16.12	16.03	16.18	18.24	16,31	16.50	17.03	15,78
Ordinary Share inch	x since co	polision	high 2985.	2 19/04/96	k low 49.4	25/05/40.	Base Date	c 1/7/35.

Open 9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low 2787.5 2786.2 2787.9 2791.4 2789.0 2787.5 2787.4 2784.0 2783.5 2793.1 2782.4 SEAQ bargains Equity turnover (Emily Equity bargains) Shares traded (mily) 33,944 1857.8 38,692 618.0 35,287 2503.8 42,213 794.4 31,222 32,021 1824.0 32,540 2439.7 37,138 896.0 29,597 1902.2 43,291 1005.1 38,110 676.6

May 9 May 8 May 7 May 3 May 2 Yr ago "High "Low 1085.10 1072.60 1075.00 1087.90 1082.30 — 1**075.00** 985.68

Rises and falls* Total Places Total Pales Same 1 May 9 *Data based or	528 T 650 T ,581	otal Highs otal Lows	93 17	LiffE Equity option Total contracts Calls Puts Share Service,	46,8 22,5 24,2
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change

77.4

253.6

mutual fund - and affiliates had 5.07 per cent in the com-Nearly 2m shares were traded in Kingfisher, which

nudged up 6 to 577p. One analyst said the group, which owns B&Q, could be a beneficiary of the shake-up expected in the DIY market. Analysts said optimism about VAT refunds was trick-

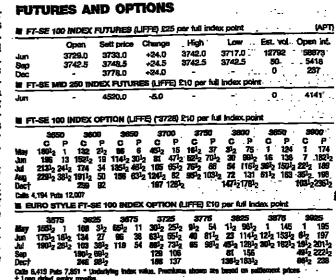
ling down to smaller retailers, with Cantors, the furnishing group, jumping 17 to 155p. In the drinks sector, Grand Metropolitan, whose joint venture, Inntrepreneur Estates sold a third of its pubs for £262m, rose 6% to 438p. Traders noted a few buyers in the market, and some analysts still consider the stock to be cheap.

Water

closed 21/2 lower at 490p. However, sweeteners group Tate & Lyle clawed back most Among the breweries, pubs and restaurants groups Greenof Wednesday's losses. The alls rose 6½ to 617½p, with stock hardened a penny to 463p SBC Warburg recommending profit taking. J. D. Wether-spoon dropped 5 to 950p. James in trade of 1.8m. Sentiment was boosted by a recommendation from NatWest Capel warned of some risks for Securities which advised clismall operators of pubs includ-

ing higher rents. Vanguard Medica, a drug

development company, made a strong market debut, rising at one point to a premium of more than 40 per cent above the issue price. The shares. placed with institutional investors at 450p a share by Kleinwort Benson, hit 640p before closing at 628p.



TRADING VOLUME

■ Major Stocks Yesterday

Delpety De La Run

-21 +2

35

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ESSUE	Amt	Mkt.				Close				~	
	paid	CEED!		98	: .	orice		Net		Grs	
₽_	υp	(Enr.)	High	<u> LÓW</u>	Stock	p	<u>+</u> -	div.	COV.	yıcı	ne
-	F.P.	18.8	95		AlM District	. 94		54.5	-	8.0	
-	F.P.	22.1	138		†Active imaging	121	41	-	-	-	
-	F.P.	-	170	125	Blocomption Unit	170	+40	-	-	-	
105	F.P.	3.63	124		CA Couits	118		-	-	-	
-	F.P.	13.2	1050	650	Caimgorm Units	925		-	-	-	
-	F.P.	0,68	250	25	Cairngonn Was	238	+13	-	-	-	
100	F.P.	9.50	95		Capital Co's VCT	95		-	-	-	
-	F.P.	7.84	· 39		†FNA	39		-	٠ -	-	
150		52.9	158	155	1La Senza	158	+2	-	-	-	
-	F.P.	48.8	250		MSB lm"l	240		L4.0	8.0	2.1	1
-	F.P.	106.5	274	220	Maiden Group	271		RA.B	-	22	
278	F.P.	464.3	332	278	ME & Coptions	321	42	4.7	-	1.8	
175	F.P.	55.0	184 .	173	Phytopham	. 178		-	-	-	
-	F.P.	6,56	22	1612	Perp Inc Wints	19		-	-	٠.	
-	F.P.	33,1	48	43	Reflec	48		-		-	
-	F.P.	-	96	96	Singer & Foir AMA	98		-	-	-	
-	F.P.	-	11	9	Singer & F Wis	11		-	-	-	
-	F.P.	7.54	4	312	†Sira Bus Serv	4		_	٠		
-	F.P.	0.29	112	11/2	TSITE BUS SWS Wits	112		-	-	÷	
-	F.P.	6.41	95	75	Stentor	91	-2	-	-	-	
_	F.P.	1.82	281/2		Templeton C&E	26		-	_	-	
-	F.P.	3.16	56	43	TTorp Hoskins	56		-	-	-	
-	F.P.	39.B	185	180	Tradepoint Find	185		-	-	_	
450	F.P.	155.6	533	818	Vanguard Medica	628			-	-	
45	F.P.	134	57	52	†Weberfall	52		-	-		
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Share Service notes.								٠ -
FT GOLD	MIN	S I	NDE	X				
		% chy on égy			Grees div yield %	P/E ratio	52 year	k Low
Gold Milnes Index (21) at Beginnet Indices	2381.32	0.0	2382,86	1930.24	1.29	· -	2520.73 f	722.93
Airica (13) _ Australasia (6)				2572.51 2412.75	2.26 2.23	38.80 30.25	3553.86 2 2927.34 2	
North America (12) Copyright, The Financia			_	1647.48 loki Mine	(1.66 Index" is a		2186.39 14 rk at The Fi	

•		Day's				Year	Dê
·	May 9	chge%	May B	May 7	May 3	ago	ylek
FT-SE 100	3728.3				3751.6		3.
FT-SE Mid 250	4505.4				4515.3		
FT-SE MEd 250 ex Inv Trusts	4547.6				4555.7		
FT-SE-A 350	1892.2				1902.2		
FT-SE-A 350 Higher Yield	1820.4				1834,6		5
FT-SE-A 350 Lower Yield	1971.3				1977.3		2
FT-SE SmellCap	2220.30				2224.06		
FT-SE SmallCap ex lav Trusts	2217.21				2219.40		3
FT-SE-A ALL-SHARE	_ 1877.75	+0.4	1870,23	1877.91	1887_22	1625.62	3
# FT-SE Actuaries All-	Share						
		Day's				Year	Di
<u>·</u>	May 9	chge%	May 8	May 7	May 3	ago	ylek
10 MINERAL EXTRACTION(24)	3475.58	+1.8	3415,57	3437.53	3476.50	2908.30	3
12 Extractive Industries(6)	4714,86	-0.9	4758.84	4768.29	4717.65	3747.52	3.
15 OE, integrated(3)	3463,45	+25	337B.09	3403.97	3481.49	2923.54	3
16 Oil Exploration & Prod(15)	2451.83	_+0.1	2448,57	<u> 2458.74</u>	2470.02	2102.95	_ 2
20 GEN INDUSTRIALS(275)	- 2129.24	+0.2	2125.79	2134.91	2139.60	1953.77	3.
21 Building & Construction(34)	1237.07				1243.01		3.
22 Building Metts & Merchs(29)	1956.72		1958,33	1966.05	1976.09	1842.29	3.
23 Chemicals(25)	2531.49	+0.8	2512,20	2525.43	2541.77	2354.16	3.
24 Diversified Industrials(19)	1785.46				1794.45		5.
25 Electronic & Elect Equip(37)	2403.84				2402.46		3.
28 Engineering(71)	2454,87				2479.96		3.
27 Engineering, Vehicles(13)	3024.01				2884.54		3.
28 Paper, Pokg & Printing(28)	2780.78	+0.1	2777.84	2785.16	2779.75	2953.93	3.

FT-SE-A 350 Higher Yield	1820.4				1834,6		5.10	1.90	12.89		1266.63
FT-SE-A 350 Lower Yield	1971.3					1626.0	2,66	2.33		26.57	1380.11
FT-SE SmellCap	2220.30					1832.91	2,92	1,78	24.06	24.17	1815.76
FT-SE SmallCap ex Inv Trusts	2217.21					1809.97	3.09	1.87	21.68	25.34	1824.18
FT-SE-A ALL-SHARE	_ 1877.75	+0.4	1870,23	1877.91	1887_22	1625.62	3.76	2.04	16.28	33.17	1587.45
# FT-SE Actuaries All-	Share										
		Day's				Year	Div.	Net	P/E	Xd adj.	Total
	May 9	chge%	May 8	May 7	May 3	ago	yleid%	COVER	ratio	ytd [*]	Return
10 MINERAL EXTRACTIONIZE	3475.58	.40	9416.67	2497 29	2478.50	2908.30	3.75	1.80	10 52	66.58	1402.02
12 Extractive industries(6)	4714.88				4717.85		3.43	2.50			1387.43
15 OE, Integrated(3)	3463.45				3481.49		3.99	1.68			1829.30
	2451.83				2470.02		2.14	1.59		32.05	1474.98
									-		
20 GEN INDUSTRIALS(275)	2129.24				2139.60		3.98	1.88	16.68		1161.84
21 Building & Construction(34)	1237.07					999,19	3.33	1.80			1035.29
22 Building Metts & Mercha(29)	1956.72					1842.29	3.88	1.69		36.36	988.72
23 Chemicals(25)	2531.A9					2354.16	3.91	1.94		37.65	1196.51
24 Diversified Industrials(19)	1785.46				1794.45		5.78	1.68			1001.02
25 Sectronic & Sect Equip(37)	2403.84				2402.46		3.05	1.68		13.04	1240.03
28 Engineering(71)	2454,87				2479.95		3.12	2,47		28.63	1486.92
27 Engineering, Vehicles(13)	3024.01				2884.54		3.52	1,92		48.83	1587.97
26 Paper, Pckg & Printing(28)	2780.78				2779.75		3.66	2.03		41.62	1158.12
29 TextRes & Apperel(19)	1418.69	<u>-03</u>	1423.12	1427.73	1430.38	1635.66	4,98	1,53	16.37	28.70	B67,40
30 CONSUMER GOODS/809	3458,46	+0.1	3453,53	3463.69	3489.01	3087.95	4,05	1.85	16.89	71:72	1261,04
32 Alcoholic Beverages(9)	2834.55	+0.6	2816.59	2803.39	2803.31	2745.24	4,38	1.63	17.51	58.02	1023.95
35 Food Producers(23)	· 2481.82	+0.4	2472.06	2485.14	2482.42	2431.12	4,17	1.82	16,44	55.04	1125.00
34 Household Goods(15)	2705.12				2693.33		3.67	2.41		51.26	1096.09
36 Health Care(20)	2084.12	+0.2	2078,96	2049.29	2052.65	1763.04	2.55	1.88	26.12	27.95	1268.74
37 Pharmaceuticels(12)	4807.20		4808,05	4840,03	4898.83	3864.62	3.54	1.86	18.94	81.77	1632,80
38 Tobacco(1)	4154,97	-0.6	4180.38	4193,09	4282.03	4140.88	6.12	2.00	10.23	156.18	1043,70
40 SERVICES(253)	2500.32	.02	2402 00	2404.00	2493.47	2013 AN	2.82	203	21.82	92.58	1298.99
41 Distributors 32	2937.34				2952.62		2.86	1.77	24.69		1083.52
42 Leigure & Hotels(23)	3209.03				3201.51		2.74	1.95			1728.16
43 Media(46)	4196.69				4180.64		2.12	1.95	30.24		1520.64
44 Retailers, Food(15)	1950.79				1902.28		3.85	2.32	13.98		1233.90
45 Retallars, General(43)	2036.38				2043.92		2.97	2.20	19.13		1159.21
47 Breweries, Pube & Rest (24)	3125.16				3139.94		3.20	2.08			1490.89
48 Support Services(49)	2355.29				2346.31		1.94	2.48			1498.19
49 Transport(21)	2419.95				2422.06		3.59	1,40	24,89		1005,77
60 UTILITIESESSI					2496.31		5.07	2.05	12.05		
62 Sectricity(12)	2458.87 2848.89				2888.67		4.96	2.53			1042.06 1371.25
84 Ges Distribution(2)	1486.90				1546.77		B.17	1.38	11.27		768.08
66 Telecommunications(7)	2008.48					2079.41	4.20	1.75	16.96	0.15	909.16
66 Water(12)	2131.09				2129.15		5.73	2.59	8,44		1155.67
89 NON-FRANCIALS(585)	2003.71				2012.28	_	3. <u>78</u>	1_93_	17.25		1519.24
70 FINANCIALS(105)	2854.42				2878.33		4.17	2.63			1234,27
71 Banks, Retail(8)	3829.00				3876.19		4,07	2.89			1260.18
72 Banks, Merchant(6)	3535.84				3557.28		279	2.38			1120,09
73 Insurance(23)	1499.09				1513.58		5.26	3.15			1128.71
74 Life Assurance(6)	3604.15				3643.21		4,15	2.22			1510.88
77 Other Financial(21)	2654.38				2655.31		3.68	1.82	18,66		1505.68
79 Property(41)	1571.09	+0.2 7	30/30	J00.46	1552.83	ר <u>ומיסמר</u>	4.02	1,32	23.58	<u> 13.54</u>	961,54
80 INVESTMENT TRUSTS(126)	3217,48	<u>+0.23</u>	210.99 5	234,37	2238.81 2	2771. <u>4</u> 9	2.15	1,05	54.77	24.17	1122.04
89 FT-SE-A ALL-SHARE(996)	1877.75	+0.4.1	870.23 1	877.91	1887.22	1825.62	3.76	2.04	16.28		1587.A5
 											
FT-SE-A Fledging	1241.46				242.36		2.76	2.18			1295.60
FT-SE-A Redgling ax linv Trusts	1250.22	1	250.52 1	251.83 1	1250.80	986.88	2.98	2.36	17.76	12.82	1304.79
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233.3 28.0p 8.4p° 4.0p 2.67p° 50.0 The pre-tax profit of IR£420 million represents the highest figure ever for an The excellent results reflect the successful integration of the Cellulose du Pin The Group's EPS has experienced compounded annual growth of some 24% since becoming a public company in 1964. Investments during the year included the acquisition of Les Papeteries du Limousin and strategic stakes in Munksjö (29%) and Nettingsdorfer (27.5%). Stable long term financing has been provided to the Group by way of the US\$600 million public debt issue in the United States. The maturity profile of the Group's debt is now more structured. The Group balance sheet remains strong with net debt of IR£586 million, total Group shareholders' funds increased to IR£1,362 million. Net assets per share have increased by 13% to IR£1.29.

Dr. Michael W.J. Smurfit, Chairman & Chief Executive Officer.

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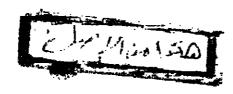
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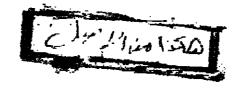
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Brenco	0.28	12	370	813½	12½	13¾	4-½
BSB Brico	0.88	12	457	26½	25½	25½	
BT Shiping	0.48	15	123	31½	31½	4-½	
Buttlets	15338	13½	11½	13½	-½		
Buttlets	23	5	8-¾	8-¾	8-¾		
Buttlets	23	5	8-¾	8-¾	8-¾		
Buttlets	24	24½	19½	23¼	4-¾		
Buttlets	20	80	35½	34½	34½	-½	
Buttlets	20	80	35½	34½	34½	-½	
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A share price & index (rebased)

Mar. 1995

had grown by 50 per cent and

its sales by 75 per cent. This might indicate a switch in the

market share being won by

Ericsson, or suggest that that

Nokia was succumbing to pric-

ing pressure. Helsinki's Hex index fell 24.19 to 1,811.04 although Rai-

sio hit another all time intra-

day high of FM197.00 on active

foreign demand after the

excitement over its cholesterol-

reducing margarine. The

shares closed FM1 higher at

Stockholm's Affärsvärlden

general index eased 1.9 to

1,945.2 as a 1.9 per cent jump in

the financial sector was erased

by a mixed bag of results.

Source: FT Extel

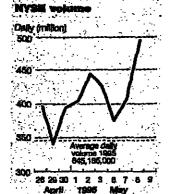
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Dow higher despite bond price decline

US share prices posted modest gains in midsession trading yesterday as long-term interest rates hovered near 7 per cent, writes Lisa Bransten in New

At 1 pm, the Dow Jones Industrial Average was 13.01 higher at 5,487.07, the Standard & Poor's 500 rose 0.74 at 645.52 and the American Stock Exchange composite gained 1.81 at 586.45. Volume on the New York Stock Exchange came to 234m shares

Bonds gave back some of the sharp gains made on Wednesday, but the yield on the



benchmark 30-year Treasury held below 7 per cent in morning trading in spite of a drop in the number of people filing first-time claims for unemployment benefits last week. Investors in both markets were nervously awaiting data

on producer prices due out Rising biotechnology issues helped the Nasdaq composite to add 3.54 at 1,187.10 in spite

of modest losses among com-puter-related technology The Morgan Stanley technol-

ogy index slipped 0.7 per cent, while its index of biotech shares rose 1.1 per cent. Rising blotech issues included Biogen, up \$2 at \$64% and Genzyme, \$1% stronger at

Lower bond yields, a stable earlier. foreign exchange market, posi-

ment on privatisation, and

strong company results helped CARACAS extend its gains, the IBC index rising 77.35, or 2.1

per cent, to 3,838.07 after a 1.7

Brokers had expected inves-

tors to switch out of bonds into

stocks after Wednesay's TEM

auction which saw yields slip

to a range of 53 to 59 per cent, from 56 to 61 per cent a week

Johannesburg's industrial

shares were sharply lower for

political turmoil and rand

weakness dragged the index

down by another 2.3 per cent. The slide came after the

National Party ended two days

of speculation with its

announcement that it was to withdraw from the govern-

ment of national unity on June

30. However, some nervous

late buying had pulled stocks

off their worst levels just

before the close

per cent gain on Wednesday.

In the computer-related high

tacked a loss of \$4% on to the \$7% it sank on Wednesday after it announced a new pricing strategy that, some investors worried, would be a drain on profits. That brought the

Computer manufacturers were mixed to lower. Dell Computer shed \$% or \$44% and Gateway 2000 lost \$% at \$35%, while Hewlett Packard added \$2 at \$105% and IBM rose \$% at

price to \$58

Newly issued B shares in Berkshire Hathaway - which are equal to one thirtieth of an A share - climbed \$10 from the offering price of \$1,110 in early trading. The A shares were unchanged at \$33,400.

Sears, Roebuck shares added \$1% at \$52 after the retailer reported an 11 per cent increase in April same-store sales, well ahead of the 5 to 7 per cent increase that analysts had expected.

AMP shares fell \$1% at \$41% on reports that the maker of electrical connectors had asked its US staff to take a week without pay in June due to a slowdown in demand for its products.

Canada

Toronto was mixed with a softer bias at midsession as investors looked for an underlying trend after Wednesday's slight reversal.
The TSE-300 composite index

was 6.01 weaker at 5,154.80 in volume of 39.9m shares. International Hospitality sank 1 cent to 3.5 cents after the food retailer said that it

intended to file a proposal under the bankruptcy and insolvency act. The stock, which soared to

an all time high of C\$3.85 shortly after the company went public in 1998, had been pressured in recent weeks as the company underwent a restructuring. A C\$1 rise to C\$39.40 in

Loewen Group was attributed to the view that the worst of the funeral home and cemetery company's troubles were now

in midsession. There was talk

of a Brady debt buy-back plan.

The industrial index

its 203.6 point fall on Wednes-

day, pulling the overall index

down by 103.3 to 6,692.3.

Golds remained impervious.

picking up 3.5 to 2,011.2,

in industrials was driven

equally by local institutions

and foreigners. They added

that rumours of a bank rate

hike of between 1 per cent and 2 per cent heightaned the ner-

Yous state of the market.

Dealers said that the sell-off

helped by the weak rand.

Caracas extends its gains

increase of 0.4 percentage points in its long-term prime MEXICO CITY, too, gained trade figures and ascending US stocks taking the IPC index up by 15.74 to 3,210.16 in mid-BUENOS AIRES, which staged a 1.8 per cent rise on Wednesday, taking its gains on the week to 3.9 per cent, held its ground with the Merval index up another 1.06 to 572.02

> Individual investors were busy in speculative favourites. Sakai Heavy Industries, the most active issue of the day, rose Y20 to Y1,610 and Nagasakiya by Y58 to Y743. Janoma Sewing Machine, however, fell Y15 to Y508 on profit-taking.

Large capital steels fell with Nippon Steel down Y4 to Y370 and NKK losing Y9 to Y315. Shipbuilders were also lower, Mitsubishi Heavy Industries

pany, added Y6 to Y787 on reports that it was likely to see the first rise in its recurring profits in four years. Export-related issues were affected by the yen, Electricals

Nokia disappointment spills over into Ericsson

A 6.1 per cent phings in the shares of Nokla, after the com-pany reported sharply lower first quarter pre-tax profits, pulled HELSINKI down; and the disappointment spilled over into Ericsson, which contributed to a weak perfornance in STOCKHOLM.

Nokia dropped FM10,80 to FM165 in heavy turnover of FM585m after the company said that first quarter profit had dropped to FM399m from FM1,35bn during the same period last year. The result was sharply below analysts' forecasts, which had ranged from FM500m to FM1.15bn, and was attributed to weak sales in the mobile telephones division,

which posted an operating loss. The figures were in contrast to Ericsson's better than expected result, reported on Wednesday, which had spurred the shares higher in a falling market, Yesterday, however, Ericsson lost SKr3.5 to SKr140.5 as Nokia's news washed over the telecommunications sector. Mr Lars Larsen at Unibank

Securities said there appeared to be discrepancies in the reports from Nokia and Ericsson on the state of the mobile telephones market. Nokia had renorted an increase in handset sales of only 10 per cent in the first quarter while Ericsson said that the worldwide market

nearly 1 per cent leaving the AP Moeller twins, D/S 1912 B and D/S Svendborg by DKr2,000 to DKr189,000, were

up 4.09 to 555.65. In spite of the Nokia figures,

Philips recovered from early pressure to close unchanged at F160.40; and Dutch PTT, the post and telecoms group, rose Fl2.10 to Fl65.60 on institutional buying after re-iterating its forecast of further turnover and profits growth in 1996. Wall Street retained its overnight gains, the Dax index rising 13.79 to an Ibis-indicated

2.470.57. Blue chips were mixed, however, BASF falling a net DM2.70 to DM396.80 as it went ex-dividend, reported a lean in first quarter profits and forecast steady earnings and

nied the speculation.

o-US trade frictions. The Hang

Seng index fell 44.32 to

10,573.00, off an early high of

10.693.13 in turnover that

Analysts said that sentiment

appeared to have turned mark-

dly bearish and a test of sup-

port at 10,500 now seemed all but unavoidable.

Among key blue chips, HSBC, the day's most actively traded stock finished steady at

HK\$110.50, off a day high of

HK\$111.50, Cheung Kong tum-

bled HK\$1 to HK\$51.75 and

Swire A was unchanged at

improved to HK\$4bn.

OSLO total index up 3.24 at 813.49 with Bergesen A up NKr3.50 at NKr130.50; but COPENHAGEN's gains in the rising DKR2,500 to DKr130,000 less effective: the KFX index

fell 0.40 to 113.75. AMSTERDAM featured first quarter profits well above expectations at Royal Dutch and the oil company shot up by F111.40, or 4.8 per cent to Fl 249.10, taking the AEX index

FRANKFURT recovered as

rising sales this year.



to DM8.2hn. Dealers said that investors were nervous, and more active in second liners where Depfa Bank climbed DM4 to DM57 on its forecast of a double-digit gain in 1996 group operating profits; where Hochtief's higher 1995 earnings left the construction group DM17 better at DM608; and where Agiv, the mechanical engineering and electronics group, dropped DM1.85, or 5.5 per cent, to DM331.65 after a 1995 loss, although it forecast a

eturn to profits this year. PARIS liked mergers, but steered clear of potential scan-dals as the CAC-40 index rose 1.67 to 2,085.41 in turnover of FFr6.1bn. Ecco hit FFr1,294 before closing FFr46 higher at FFr1.250 on the Adia merger; and Saint-Gobian rose another FFr18 to FFr637 on its acquisition of Pollet from Paribas.

On the downside, the Belgian arrest warrant for Mr Serge tronique as low as FFr290 before it closed at FFr812, down FFr8, and Dassault Aviation to FFr470 before a close of FFr482, down FFr3.20. And Club Mediterranée fell FFr6 to FFT490 on a \$5m damages claim filed by groups charging that they were humiliated by an allegedly racist skit at a Club Med village in Senegal. ZURICH saw a SFr14 jump to

SFr279 jump in Adia, the tem-

porary employment group,

after Wednesday's suspension when the merger with Ecco of France was announced. The SMI index, however, fell 12.5 to 3.521.6 as selling in SMI futures put pressure on the cash market. Roche certificates lost SFr60 to SFr9,840, reflecting the view that pharmaceuticals were overvalued. Zurich Insurance was down

results due after the market has closed today. MILAN reflected growing

SFr4 to SFr322, ahead of 1995

optimism over the formation of a new government and the Comit index edged 0.26 higher to 654.17 while the real-time Mibtel index picked up from a low of 10,365 to close 89 ahead

at the day's high of 10,488. Montedison rose 28.6 at 938.5 after its Montell polypropylene joint venture returned a first quarter profit and foregast a further improvement in April June, Gemina picked up L33.1 to L785.6 as the company denied plans to sell its RCS publishing arm. ENI added L189 to L6,805 and Parmalat jumped L79 to L1,834 with strong demand reported.

In Eastern Europe, the spotlight stayed on BUDAPEST which hit its fifth new high in a row with the Bux index up 72.30 at 2,929.67. WARSAW registed its third successive two-year high, the Wig index putting on 46.3 at 18,257.9, but analysts said that lower turnover and dominant selling after the day's price fixing signalled a brief dip.

VIENNA, once again, combined high tech and lower ahare prices, the chipmaker, AMS, crumbling by Schlip, or 9.9 per cent to Schl.000 after a 7.4 per cent drop on Wednes

Written and edited by William

Long-term rates worries prompt 1.5% fall in Nikkei

Tokyo

Heightening expectations of a rise in long-term interest rates hit the futures market and the Nikkei average fell 1.5 per cent on technical selling, writes Emiko Terazono in Tokyo.

The 225 index fell 316.72 to 21,411,88 after trading between 21,298.33 and 21,744.57. Profit taking on the futures market prompted arbitrage unwinding, depressing the underlying cash market. The dollar's decline below Y105 added to the pessimism in the afternoon, but equities recouped some of their losses on bargain hunting by domestic institutions,

Volume totalled 512m shares against 440m. The Topix index of all first section stocks fell 16.42 to 1,664.76 and the Nikkei 300 declined 3.09 to 807.76, Declines led advances by 838 to 268 with 127 unchanged. In London, the ISE/Nikkei 50 index fell 0,85 to 1'441,07,

Industrial Bank of Japan's affected investor confidence. "It confirmed that interest rates were set to rise in the future, although at the same time it also points to an economic recovery." said Mr Yuichi Kohashi at Daiwa Securities. Traders also said that the sell off in Nikkel futures was exaggerated by relatively low trading volumes in that

declining Y12 to Y912.

Taisei, a construction com-

lost ground with Hitachi down Y30 to Y1,080 and Omron losing Y120 to Y2,150, Car stocks saw Toyota and Isuzu both losing Y10, to Y2,360 and Y582 respectively.

in Osaka, the OSE average fell 181.30 to 23,128.41 in volume of 62.5m shares. Nintendo. the video game maker, fell Y130 to Y8,160 but Kanematsu NNK, the speculative favour-ite, gained Y130 to Y4,460.

Roundup

The spectre of political uncertainty which appeared after the ruling Congress party suffered major reverses in India's national elections left BOM-BAY down again.

The BSE-30 index rose 72.95. or 1.94 per cent, to 9,694.30 as analysts speculated that a new government, headed by a coalition of socialists and commupists would probably shun labour reforms and slow down progress on the liberalisation programme pursued by government of Mr P.V. Narasimha

Rs243.25. L&T Rs9 to Rs280: SBI up Rs8.5 to Rs271 and Tisco Rs7.25 to Rs220.

SEOUL saw further profittaking in blue chips and other large-capitalisation stocks, with the mood dampened by the Finance Ministry's announcement on Wednesday that it would allow increased new share supplies in the third quarter.

The composite index ended 17.61 or 1.8 per cent lower at 959.14 after the finance ministry said that it would allow up to Won2,500bn of new share supplies in the July-September period, against Won2 130bn in the first six months of this

Won5,900 to close limit down Won92,600 on worries that falling memory chip prices could damage its earnings, although the company flatly denied the Medison closed Won5.600

higher at its daily limit of Won102,000 on rumours that it was the target of a takeover bid by Samsung-GE Medical

Systems. Both companies MANILA's blue chips and electronics shares tumclimbed again as strong macro-HONG KONG reversed early economic fundamentals lured gains to end moderately weaker on confusion over US foreign institutional buyers back to the market. The cominterest rate trends and Sinposite index registed its fifth

63.03, or 2.1 per cent to a 28-month peak of 3,129.08. Volume fell from 12.9bn shares to 10.33bn but turnover, reflecting the increased blue chip context, climbed from 2.97bm pesos to 3.37bm.

successive rise, putting on

Petron, the largest Philippine refiner and distributor, rose by 60 centavos or 6.1 per cent to 10.50 pesos, and the telecoms major, PLDT, by 60 pesos to

TAIPEI heard local reports of further declines in world prices for dynamic random access memory (DRAM) chips,

bled, the sector falling 3.7 per cent as the weighted index lost 54.85, or 0.9 per cent at 5,965.02. The DRAM maker, Mosel, lost T\$9.50 to T\$65,50 and Acer, the parent company of the unlisted DRAM maker, Ti-Acar, fell T\$3 to T\$58. JAKARTA ended higher on

active buying of second-liners, and on rises in selected large. capitalisation stocks, the JKSE composite index closing 4.75 higher at 620,27, points after hitting a high of 621,02 points. Gainers led losers 60 to 47 and counters remained

The fried chicken restaurant franchiser, Putra Sejahtera, leapt Rp150 to Rp950, and topped the active list in 16m foreign investor would buy a SINGAPORE featured a 30 DE TEST

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cent rise to S\$ in Van Der Horst and a 26 cent advance to S\$3,58 in Singapore Telecom as the shares were included in the Morgan Stanley Capital Index for Asian equities. The Straits Times industrials index ended up 2,77 at 2,374,60, against an intraday high of 2,387,21. KUALA LUMPUR overcame

tour sessions of losses on a technical rebound as Wall Street's higher close encouraged some buying. February trade figures, released late in he afternoon, were within expectations but were viewed positively as they removed a nagging market uncertainty. The composite index ended shares on market talk that a up 10.55 at 1.162.14. __

International Investment Banking by WestMerchan

FT/S&P ACTUARIES WORLD INDICES

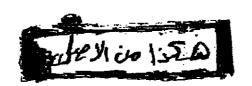
S Africa again pressured

Figures in parentheses	US	Day's	Pound			Local	Local	Gross	US	Pound			Local			Year
show number of lines	Doller	Change	Sterling	Yen	DM	Currency	% chg	DIV.	Dollar.	Starting	Yen	DM.	Currency	SP week	62 wee k	ago.
of stock	Index	<u>%</u>	Index	Index	Index	Index	on day	Yiek	Index	hdex.	Inclex	index	inclex	High	Low_	(ADDLON)
Australia (90)	211.81	-0.2	207.10	140,89	167.18		-0.3	3.82	212,18	208.15	140,82	167.81	176,45	212.15	162.66	176.64
Austria (26)	187.61	0.6	183,34	124.72	148,01	147,91	0.3	1.20	186.49	182,95	128,77	147.49		199.28	166.11	192,73
Belgium (31)	207,27	-0.2	202.86	137.87	153.61	159.58	-04	4.16	207.70	203.76	137.85	184.27		215.81	185.00	199,86
Brazil (28)	183.30	1.1	159.66	108.62	129,90		1.1	2.17	161,46	158.39	107.18	127.70	294.93	170.25	128.87	141.35
Canada (99)	162.66	-0.2	159.04	108.20	128.39	161,07	-0.1	2.35	162,93	159,84	108.13	128.56		182,93	134.14	186.78
Derymark (30)	297.90	0.2	291.27	198.15	235,14	237.45	0,1	1.90	297.31	291.66	197.92	285,14	237,54	305,17	272,15	279.45
Firsterio (23),,	186,01	-0.8	. 181,87	123.73	146.82	185,53	-1.3	2.69	188.59	183.05	128,84	147.57	187,94	276,11	171.78	204.19
France (97)	194.74	0,1	190.41	129.54	153,72	155,95	ΦĐ	3.05	104.64	190.85	129,11	158.88	156.98	198.39	167.70	186.72
Germany (80)	185.25	-0.1	182,56	110.59	131,23	131.23	-0.3	1,90	166,50	163.84	110.50	131,68	131.68	174.38	149.40	155.37
Hong Kong (56)	A18.73	-0.6	409.42	278.53	390.62	415.87	, -0. 8	3.40	421.27	413,28	279.59	333.18	418.40	451,19	555,37	335.37
Ireland (18)	277,76	0,1	271.58	184.75	218.24	249.26	-02.	3.34	277.39	272.15	184.10	219,39	249.76	277.75	220.81	227.81
kely (59)	41.97	-1.5	80.15	54.53	64.70	95.41	-1.4	2.22	83.24	81.86	55.25	65.84	96.77	83.87	57,22	77,96
Japan (481)	186,83	0,5	156.28	106,32	126,16	108.32	0.7	0.72	169.10	155.05	105.50	125.88	105.50	164.79	137.75	184.79
Malaysia (107)	_565.70	-0.5	553.12	376.29	448,53	541.19	-0.8	1.50	568.25	557.46	377.14	449.43		585,09	425,77	478.14
Mexico (18)	1242,80	1.2	1215.16	826.67	960.99	10159.16	0.7	1.39	1227.71	1204.41	814.81	871.00	10090.81	1313.61	751.90	1041,20
Mathedand /101	_288_20	-1.1	281,79	191.70	227.A8	223,26	-1.3	3.22	291,37	285,84	193,35	230,45	226.10	291.80	237.16	252.54
New Zeeland (15)	81.43	-0.5	79.62	54.17	84.28	62,80	0.5	4.35	81,72	80.17	54.23	84.63	62.98	B5.49	79.20	81.76
Norway (33)	244.36	-1.2	238.83	162,54	192,88	216.75	-1.4	2.89	247.88	242.70	164.19	195,86	219.91	255,75	215,04	228.81
Singapore (44)	427.73	-0,8	418.22	284.52	337,63	275.94	-0.8	1.37	431,36	423.18	286.20	341.17	279.09	485.21	955,81	372.02
Scerth Africa (45)	_349.40	-8,0	241.68	232,45	275.84	341.23	-1.3	2.08	360.31	353,47	239.13	254.97	845.73	437,76	338.91	357.49
Spain (37)	174.80	-0.6	171.01	116.33	138.05	1 <i>67.5</i> 5	-0.8	3.31	175,99	172.85	116.80	139,19	168.82	179,85	141,10	149.01
Sweden (48)	342.62	-0.8	335.00	227,90	270.44	345.46	-0.5	2.31	\$49.77	337.25	228.18	271.89	\$47.20	352.26	250,85	257.57
Switzerland (39)	295.33	-0.8	230.10	158,54	185.76	160.00	-1.A	1.62	237.30	282.60	157.49	187,68	182.47	252.84	184.11	194.44
Traine (46)	181 93	-0.9	177,89	121.02	145.61	178.19	-0.8	1.84	182.60	179.04	121.12	144.34	178.71	193.95	145.74	157,72 -
United Kingdom (201)	728 85	-0.1	223.78	152.23	180.64	223.76	-0.4	4.12	229,08	224.73	152.04	181.18	224.73	237.43	208.12	211.81
CUMPO MERCELL SER () *********	282.88	0.9	257,04	174.88	207.51	262.88	0.9	2.23	260.65	255.61	172.92	206.07	280.65	269,11	212.46	214.35
USA (825)																
Americas (770)	.240.48	9,0	235.13	169,98	180.82	202.14	0.0	2.23	238.42	233.90	155.24	150,57	200.41	245.54	195.09	195,54
Furnoe (718)	206,32	-0.3	201.73	137,24	162.86	181.67	0.6	207	207.03	203.10	137.40	163,74	162.75	211.55	181.77	167,62
Nordic (134)	204.44	-0.5	297.90	195.85	232.A2	259.80	-0.6	2.90	295,A7	289,87	196.10	2331,60	251.42	297.60	241.98	. 248.75
Pacific Books (B32)	172.48	0,3	166.65	114,73	138.15	117.55	0.6	1.14	171,99	168,72	114,15	136,03	117.03	177.01	144,86	171,87
Euro-Pacific (1550)	198.47	-0.0	182.32	124,03	147,19	141,81	. 0.0	2.03	186.48	182,94	123,76	147,48	141,95	190,67	166.51	178.33
North America (724)	255.64	0.0	250.93	170,71	202.58	255.98	0.9	2.24	254.45	249.63	168,88	201.25	255.60	262,26	207.93	209,52
Burope Ex. UK (517)	188.86	-0.5	184.55	125.63	149.08	156.73	-0.7	2.50	189,76	185.16	125.94	150.08	157,61	192.67	163.96	170,87
Pacific Ex. Japan (951)	901.13	-0.5	284,65	193,85	229.80	246.65	0.6	2.96	202,47	286.92	194.11	231,32	251,36	295,58	243.50	244.18
World Ex. US (1740)	197 53	0.1	189.36	124,74	148.03	146.34	-0.t	2.03	187,82	184.06	124,52	148.39	145.41	191.55	167.38	179,79
WOID EX. US (1/4U) servens:	202 87	0.4	204.03	138.80	164,71	175.42	0.4	1.82	207,86	209.92	137.96	164,40	174.69	212.60	179.23	187,07
World Ex, UK (2189	200 65	0.3	233.77	159.03	186.72	226.81	0.2	2.56	238.35	233.63	158,19	188.51	225,27	242.93	-201.25	204.27
World Ex. Japan (1884)																

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City is urged to prepare for Emu

The Bank of England, the UK central bank, is to launch a campaign today to persuade the City of London to speed up its preparations for a single European currency

A detailed document is to be circulated among City institutions, spelling out for the first time how a big overhaul of the UK's financial and legal system will be needed ahead of the creation of a single cur-

The long-awaited document will reveal that some of London's financial institutions are already preparing to change their systems ready for Euro-pean Monetary Union (Emu). The big banks have agreed to set up parallel payments systems later this decade to handle accounts in euros irrespective of whether the UK stays outside Emu. This would operate alongside the current payments system, known as CHAPS, which is denominated in sterling.

These preparations for Emu are likely to irritate Eurosceptic politicians, not least because Mr Eddie George, gov. ernor of the Bank of England. andicated this week that he was increasingly doubtful about the wisdom of proceeding with Emu. But the Bank insists that the City will need to prepare for the impact of a single currency on the UK.

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The Bank insists that if Emu

THE SUN SAYS Euro appeal is flagging

TODAY is Emmar Day, Are we expected to get the flags celf!

Well, we are actually. That blue flag with the gold stare will flutter over public buildings in 15 countries. flag with the gold stars will get flutter over public buildings in 15 incountries. Some misguided souls will fly the flag here, too - spainly left-fly the flag here, too - spainly left-fly the flag here, too - spainly left-fly flag because it's 'recist.' The title that the people of Britishs should want to celebrary but the flag because it's 'public flag the the the people of Britishs should want to celebrary but in the Europe Day is a loke. In our 23 years in the EU, we have support Coulding late the the collers of Brussels with the collers of Brussels with the collers of Brussels with the collers of Brussels and butchers. Hundreds of thousands of homes were reposuessed and businesses hankrupted by the document of the Brussels hankrupted by the

Baily Mail COMMENT WE HAVE been lied to from the start. Back in 1975 during Estaint's referendum on heambeach, the proRuropean konden is the them European koncent community was a free-bade area, embracing sorestips mation states. But the bidden agrada was ever closer union, political and sorest. They told us had not a start the framposen Union adds gat a week hood costs would full. But the European Union acide EHs a week to the shopping bill of a family of four.

They told us we would not have to humanise vAIT or other taxes, or tux accomities. In fact, we are moving streamly towards incrmonistical and committed to going further and faster under the lessatistic insity. They told us the net cost of membership would be negligible. It is now in excess of £AI billion ayem.

They told us 'membership of the Community is what for those who favour full employment. But tempologoment has fixen dramptically since we joined the EEC in

DAULY EXPRESS OPINION We'll beef up Euro-battle

The press marks Europe Day: some of Britain's top-selling newspapers found little to celebrate. The Union Flag mentioned in The Sun is the UK national flag often known as the Union Jack

planned, then it will have significant implications for most financial institutions. The document it is releasing to the City today represents a detailed policy paper drawn up by Bank officials, following the release of a draft document to the Treasury Select Committee

earlier this week.

The document indicates that big banks have already agreed

does go ahead in 1999, as to introduce parallel payment

systems in euros and sterling, if the UK stays outside Emu. The details of this system, and the likely costs, will emerge over the summer. Elsewhere, the document

highlights the legal issues thrown up around trading contracts, and the access that UKbased banks will have to the European payments system, as

two key areas for action.

the City with which the Bank is most unmediately concerned is the question of wholesale banking · and the issue of payments and settlements. If the UK opts in to a single

currency, then it will need to

change its payments system in line with the rest of Europe to accommodate the Euro. However, if it opts out then it will need to ensure that its

the Euro, as a foreign currency, but also a way of interconnecting into the payments systems used in the EMU area.

only have the ability to handle

The main way that the Bank envisages this will happen is through Target - the name of the new payments system which will be used across Europe under Emu.

But how Target will work is an issue that is still being thrashed out at the European Monetary Institute (EMI) in Frankfurt, and likely to prove very sensitive in the months ahead. In particular, there is a residual fear among some banking observers that UK banks will face subtle discrimination in the new system, particularly if relations with main-

land Europe worsen. The Bank itself attempts to downplay these fears and insists that it will act as a conduit itself, linking UK ased commercial banks to

"We will be seeking to ensure in the forthcoming EMI discussions that that the principles of the single market are

upheld," it says.
On the matter of eurodenominated securities, the Bank admits that views are still split about whether any special trading system would be needed: some observers think that the City must be able to offer these to retain their competitive edge, but others think existing mechanisms

Commissioner warns of risk of shunning euro

prominent European Commission member yesterday bluntly told the UK government that Europe intended to create a single currency whether or not the UK intended to join.

Speaking on his first major visit to London since acquiring his post, Mr Yves-Thibault de Silguy, the European Union Monetary Affairs Commissioner, warned UK officials that they could lose significant political influence to France and Germany if sterling stayed outside the process of Euro-

pean monetary union. Mr de Silguy denied that he was seeking to bully the UK into participating in European Monetary Union. But as Mr John Major's government comes under continuing pressure from its own Conservative party members to rule out ster-ling's participation. Mr de Silguy said the UK would "lose influence" if it did not take

part in practical preparations for the project. "The UK would probably have a greater influence in the practical preparations if it were more fully committed to the project," he said. "This

He added: "Politically, if the UK stays on the sidelines, there is a greater danger of France and Germany getting ahead of the pack."

Although Mr de Silguy

acknowledged that slower growth had recently made it harder for some EU countries to meet the Maastricht criteria particularly the requirement that debt be below 3 per cent of gross domestic product, he insisted that the goals were still feasible.

"My message is that the single currency is well on track -Europe will have the euro on 1 January 1999," he said. "The single currency is not a goal in itself," the commissioner explained. "It is a vital tool to ensure our future prosperity and our competitive position in the world. It is the inevitable ket. It is a central part of the fight against unemployment."

He insisted that the euro would simplify the daily lives of consumers. "Its solid anti-inflationary foundations will bring greater certainty and lower costs for companies. Monetary union will create a sound economic framework in which growth and job-creation

Rules on share issues are attacked

By David Wighton and Norma Cohen

Business leaders are mounting an unprecedented campaign to persuade City of London investment institutions to relax the rules limiting companies' freedom to raise money from share issues.

The move is believed to have the support of the UK Trea-sury, which is concerned the restrictions increase the cost of capital to companies com-pared with international com-

A Confederation of British Industry committee has asked institutions to consider raising the ceiling on the number of shares companies can issue for cash without recourse to existing shareholders.
This would require a relax-

ation of "pre-emption rights", which many institutions regard as sacrosanct

But Mr John Mayo, finance director of Zeneca and a member of the CBI companies committee, insists the move is "not a crusade against preemption rights per se. The companies committee has initiated a sensible discussion about the evolution of the equity market to ensure that British industry has access to capital at the lowest long-term

Under the current rules, companies wanting to raise cash by issuing more than 5 per cent of their shares in any year must offer them first to existing investors. This usually involves selling the shares at a discount through a rights issue. Many large companies would like the celling to be raised. This would allow them to do larger "bought deals" where investment banks compete to buy new shares which they then sell to the highest bidders.

Mercury Asset Management, the UK's largest fund management company, said: "We believe that pre-emption rights are a fundamental protection for shareholders as owners of a company providing protec-tion against involuntary dilu-

present payments systems not point is increasingly under- are easier." The 'mad cow' crisis 'So far it has never been clear from one day to the next how the British government will respond'

Slow strategy to end the export ban begins to take shape

By Caroline Southey in Brussels

Senior politicians in Brussels and Britain are quietly edging closer to an agreed strategy to end the crisis in the European Union's beef market caused by BSE, or "mad cow disease". Nearly two months after the deadlock began, the European Commission has outlined a mechanism which could lead to the phased removal of the ban on British beef and beef products.

The strategy involves identifying areas, or products, which can be deemed safe from BSE if certain steps are taken; inviting Britain to implement them; and then lifting the ban once the measures are in place.

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Sharp differences over the European Union ban on UK beef exports emerged yesterday between Mr Michael Heseltine, deputy prime minister, and Mr Michael Porsyth, Scottish secretary, FT Reporters write from Aberdeen. While Mr Forsyth used some of the strongest language yet by any cabinet minister to accuse the EU of engaging in the

The first test will be the fate of an initiative announced earlier this week by Mr Franz Fischler, the EU commissioner for agriculture, under which Britain would implement tougher processing methods for gela-

"cynical elimination" of the UK beef industry, Mr Heseltine avoided any criticism of European institutions. Mr Heseltine reminded the Scot-

tish conference of the governing Conservative party that many countries had banned British beef several years before the EU decision. The problem, he said, was immensely difficult, but "the soluthe embargo being lifted on these

products. Semen would be included in the package. EU officials drew comfort yester-day from the fact that Mr Douglas

tion we need to find must be a Euro-Barlier, Mr Forsyth, a noted Euro-

sceptic, told delegates to loud applause: "What we are witnessing now is the cynical elimination of a formidable competitor in the European beef market. We don't believe this has anything to do with health."

that Britain has given a sign that it will go down this path gives us a little more margin for manoeuvre," an EU official said. But there are obstacles, of which the two most obvious are strong opposition from other EU countries to any easing of

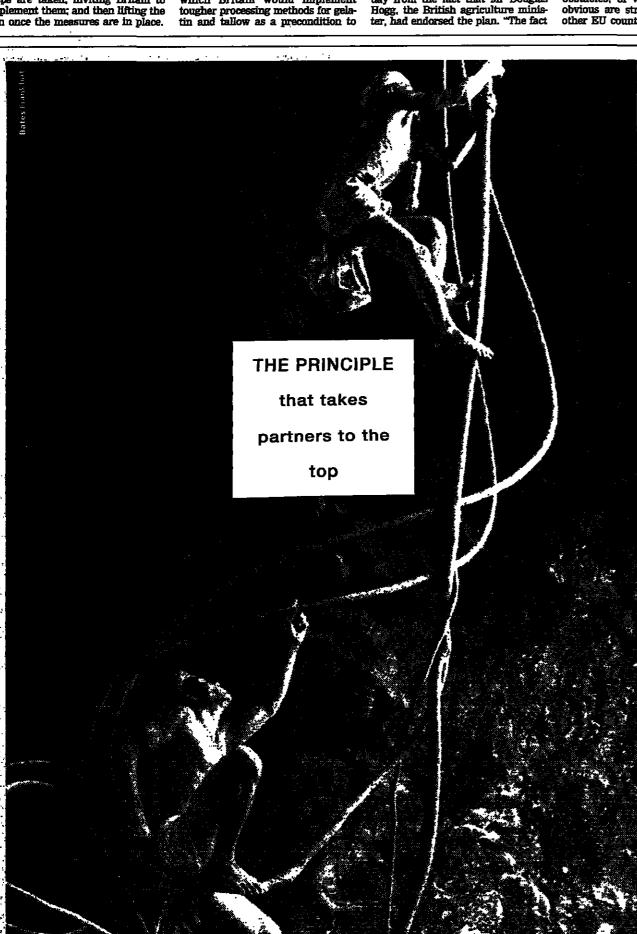
the embargo and the unpredictable or the vociferously anti-Europeans." nature of the British government's

reactions EU officials point out that the two responses are interlinked. That is because the reluctance of some member states to yield on the ban has been fuelled by signs that the British government is equivocal about tackling consumer fears.

The strategy will only work if both sides accept the terms of the arrangement," an EU diplomat said. But so far it has never been clear from one day to the next how the British government will respond. It appears to depend on who has the upper hand in the cabinet at any given moment: the anti-Europeans

Some member states, notably Germany, have remained inflexible on the han. "They simply will not agree to easing the ban if they have any doubts it could affect their hypersensitive consumers," a diplomat said.

EU officials point out that part of the blame for member states' intransigence arises from the British government's failure to eradicate BSE over the past 10 years. "The British record is not great," the EU diplomat said. "What angers some member states is that they have faced the agony of disease eradication, including lengthy embargoes and mass slaughter. They see no reason why Britain should get off any lighter."



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DG BANK

Factory output

declines further

Britain's manufacturing industry is technically back in

recession because, in the first three months of the year

factory output recorded its second successive quarterly fall.

Weak export markets and an unwanted build-up of unsold

goods have persuaded many manufacturers to cut production

and meet demand from the storeroom shelf. Output is now no

higher than at its pre-recession peak in 1990. Nevertheless

consumer spending and activity in the service sector both

continue to rise. Today's latest distributive trades survey from

the Confederation of British Industry shows almost three

times as many retailers reporting a rise in sales over the past

year as experiencing a fall. This is the biggest positive margin

Yet manufacturing continues to stagnate. The Office for

National Statistics yesterday revised down its estimates of factory output in January and February and reported a rise in

production of just 0.2 per cent between February and March.

As a result factory output was 0.2 per cent lower in the first quarter of 1996 than in the final quarter of 1995.

Robert Chote, Economics Editor

UK NEWS DIGEST

in more than two years.

BBC reveals cost-cutting digital plans

mentary or alternative pro-

In addition to enhanced ser-

vices for licence payers, the BBC plans to develop a series

of thematic channels, based

partly on its vast programme library, which will be paid for

The BBC emphasised that

programmes would always be

shown on the two main BBC

channels first before they were

shown on subscription chan-

nels and that the corporation

had no plans to develop either

a subscription sports channel

or pay-per-view services.
The BBC believes digital

technology will allow it to develop a full range of multi-

media and on-line products and

eventually programmes which can be ordered "on-demand",

enabling viewers to call up a

programme or a news bulletin

A similar expansion of ser-

vices will be possible through

BBC digital radio which began

broadcasting in the London

The BBC's "best informed

guess" is that by the

year 2005 at least 50 per cent of

all UK households will be

receiving multi-channel digital

Despite the arrival of per-

area last September.

they missed.

by subscription.

The BBC intends to use digital technology's cheaper transmission costs to save up to 20 per cent of its £1.8bn (\$2.7bn) annual budget which will enable it to launch new services, such as a 24-hour television news channel in the UK.

But Mr John Birt, director-general of the BBC, yesterday also warned that "another step change in the efficiency of the was needed if the corporation was to enter the world of digital multi-channel television and compete with a licence fee that was likely to remain flat in real terms. The BBC is financed by the state through annual licences which all users of television sets are required to buy.

Mr Birt estimated that savings of between 15 and 20 per cent might be possible through a fundamental reappraisal of all programmemaking, business and administration processes in the

corporation. The saving could amount to a "couple of hundred million pounds" and be returned to viewers in the form of a "digital dividend - new services that could be provided to all viewers and listeners without

any extra charge. The BBC was setting out its vision for the next 10 years of broadcasting a few days after British Sky Broadcasting announced that it planned to launch digital satellite television in the UK in autumn 1997 with the possibility of providing up to 500 channels. BSkyB is the satellite broadcaster in which Mr Rupert Murdoch's media conglomerate holds the biggest stake.

The BBC will aim to make its new licence-fee-funded services available on all the new distribution systems - digital terrestrial, digital satellite, cable and later telecommunications networks.

The BBC intends to offer its channels in wide-screen format with CD-quality sound. Apart from a 24-hour news channel.

Auditor says Tories in rich district were guilty of 'gerrymandering'

Councillors were 'disgraceful'

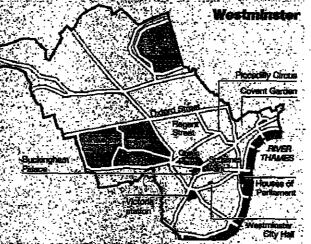
NEWS: UK

and George Parker

Dame Shirley Porter, the wealthy former leader of Westminster City Council, Will go to the High Court in London in an attempt to avoid having to viewers will have access to more regional news and addirepay up to £31.67m (\$48m) after being found guilty of Wiltional opportunities to see popular programmes. An optional ful misconduct. video stream will offer comple-Mr John Magill, the auditor

who investigated allegations of a homes-for-votes policy in the district; found yesterday that Dame Shirley and others had engaged in gerrymandering – a "disgraceful and improper pur-pose". He said their aim had been to increase the chances of the governing Conservative party retaining control of Westminster in the 1990 coun-

The auditor's findings are particularly sensitive for the government because Westminster has frequently been paraded by ministers as a flag-ship Conservative council. The



The boundary of the City of Westminster, the municipal

area of London administered by the council includes the Houses of Parliament and some of the capital's wealthiest and best-known quarters

Street and Piccadilly The opposition Labour party described the findings as the "biggest single financial scan-dal in the history of local govwhether ministers knew what was happening at Westminster. The six are jointly and sever-ally liable for the surcharge

and Dame Shirley, daughter of Sir Jack Cohen, founder of the Tesco store chain, is believed to be the only one with substantial financial means. The report finds that the electoral advantage of the

Conservative majority on the council was the "driving force" in a policy of deliberately attempting to target sales of electorally marginal wards. The logic was that owner-occupiers were more likely to vote for the Conservatives than homeless families who might otherwise

have been offered the housing. Mr Magill said the council had failed in its legal duty to give "reasonable preference", to the homeless, and to people in overcrowded or insanitary

means of a private placing

Prism is to spend £14m

(\$21.3m) on improving stations

and plans to upgrade its trains

totally by 1999. It will receive a subsidy of £29.5m in 1996-97,

but the payments will then fall

to £11.2m in 2010-11. LTS had

turnover of £54m last year and

employs 750 people.
Seven of the 25 train operating franchises have been

sold while a further 13 have

Former managers at British

Rail's Freightliner subsidiary

are poised to acquire the

lossmaking company, which

moves containers between sea

ports and inland rail

en put up for sale.

with 22 City institutions.

Tunneling method cleared

The controversial New Austrian Tunneling Method (NATM), involved in a railway tunnel collapse under London's Heath-row airport in 1994, is safe to use if proper guidelines are followed, says an investigation by the Health and Safety conowed, says an investigation by the realth and Safety. Executive. A report into the collapse of the airport tunnel during the construction of the Heathrow Express Rall Link will be published separately. The new Austrian method involves spraying freshly excavated tunnels with concrete to provide temporary support until a permanent lining can be up to 25 per cent cheater than traditional. installed. It can be up to 25 per cent cheaper than traditional tunnel methods which install permanent linings as excavation progresses.

Andrew Taylor, Construction Correspondent

Auditors deplore loophole

Auditors are trying to prevent some of their client companies from exploiting a technical loophole in accounting rules which allows them to inflate profits by undervaluing shares given to executives. The companies want to give staff and executives free shares as part of their pay but to show only the nominal value of the benefit in the accounts rather than the real value of the shares. Most auditors think such methods fail to give shareholders a "true and fair view" of the company's finances, but it is understood that some companies may already have published such accounts.

"This is something that is being touted around by tax and pay experts and we need to hold the line," said a leading accountant in one of Britain's "Big Six" firms. "One or two may have slipped through the net already." Auditors struggling to stamp out the practice fear that if unchecked it could lead to much greater abuses. Experience in the US has shown that some companies are prepared to shift remuneration to free share options and show the cost in the accounts at the Jim Kelly, Accountancy Correspondent

Regulator fines fund manager

Imro, the fund management regulator, has punished a subsidiary of Britannia Building Society for delaying before it bought shares for clients of its personal equity plans: The £37,500 (\$57,000) fine agreed to by Britannia Fund Managers is the second largest imposed by Imro this year and reflects the fact that clients suffered losses as a result of Britannia's administrative failings.

Nicholas Denton, Financial Staff

Syndicate auctions | First listing of to be reformed

By Raiph Atkins,

Lloyd's of London yesterday announced a reform of its sys-tem for auctioning places on syndicates at the insurance market, thus paving the way for many of the Names expected to leave this year to realise value for their holdings.

haps hundreds of television Previously, Names (individuchannels in the next few years, als whose assets have tradithe corporation believes that in tionally supported Lloyd's) relied on their agents' personal contacts to obtain places on the year 2005 the existing main channels will retain 65 to 75 per cent of the television audithe best performing syndicates. But an increasing proportion of Lloyd's capital is being supence, themed specialist channels 15 to 25 per cent and ondemand services 5 to 10 per plied by professional corporate investors, trading with limited Apart from using digital liability. This has increased technology to save money, the demand for protection of tradi-BBC sees scope for further tional Names' rights and for partnerships with the private ways of pricing investment in

sector, will explore using the the market. Last year, £246.2m (\$374.2m) government's Private Finance of "underwriting capacity", or about 2% per cent of the mar-ket's total, was traded. Those initiative, and seek "a borrowing regime for our trading activities which is more in line with the practices of the wanting places on syndicates marketolace". paid up to 14p per pound of "capacity". Lloyd's hopes yes-terday's changes will increase significantly the volume

The number of auctions is being increased from four to eight, starting on July 11, and some fees are to be cut. A further boost should come from the implementation of Lloyd's recovery plan, due in August.

LLOYD'S OF LONDON A special auction will be held in September for those quitting allowing them to take advantage of the expected hike in prices which would follow the recovery plan's approval. This will benefit only those still trading at Lloyd's who hold places on insurance syndicates and not the thousands of Names who have ceased active

underwriting There will also be a "dead man's shoes" auction on November 28 for the places of

rail shares nears

By Charles Batchelor Fransport Correspondent

The London, Tilbury & Southend railway, a mainly commuter service, is set to become Britain's first publicly quoted train operating company for nearly 50 years. flotation results from the privatisation of British Rail, the former national network.

Prism Rail, the company vhich was yesterday awarded a 15-year franchise to run the 100km line from London to the east coast, plans to list its shares on the Alternative Investment Market (AIM), which specialises in new companies, early next month. This would make Prism the

first specialist train operating company to make shares available since the railways vere nationalised in 1947. Prism is owned by the 11 directors and shareholders of

four regional bus companies. The shareholders have put up

some of their own money and

terminals Frieghtliner may face

competition from Wisconsin Central Transportation, a US freight railroad company, which earlier this year took over BR's heavy hanl freight operations, and has said it is considering moving into container handling.

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On June 17, 1996, there will become due and payable on each Note the above amount, together with interest accrued to June 17, 1996. On and after such date interest will cease to accrue on the Notes

(or portion thereof so redeemed). Payment of the redemption amount plus accrued interest on Bearer Notes will be made upon presentation and surrender of the appropriate coupon to one of the Paying Agents listed below:

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Citibank (Luxen 16 Avenue Marie-Therese Grand Ducky of Luxembourg

Citihank, N.A., as Note Trustee

May 10th, 1996

"This CUSIP number has been assigned by Standard & Poor's Corpo-ration and is included solely for the convenience of the holders. Neither the Issuer nor the Note Trustee shall be responsible for the selection or use of the CUSIP number, nor is any representation made as to its correctness on the Notes or as indicated in this notice.

NOTICE
As of January 1, 1993, withholding of 31% of gross proceeds of any interest payment made within the United States may be required by the Internal Revenue Code of 1986, as amended by the Energy Policy Act of 1992, unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

CORRECTION NOTICE

LG Electronics Inc.

(formerly Goldstar Co., Ltd.)

To the Holders of the Jasuer's US\$70,800,000 3.25 per cent.

The Notice given to Bondholders as published in this newspaper on Tuesday 7 May, 1996 is hereby amended. The price at which the 1999 Put Option will be exerciseable will be calculated by the Company in accordance with the following formula, which replaces and supersedes the formula as printed previously.

(1+1/100)

In all other respects the Notice, as published on Yuesday 7 May, 1996 res

Bondholders who have any questions concerning this amendment or the Notice as printed on Tuesday 7 May, 1996 should contact B J Kim of LG Securities International Ltd. which is regulated by the SFA and is representing the Company in connection with these matters. B J Kim can be contacted at LGSI Ltd., 5th floor, Bucklersbury House, 11 Waltbrook, London ECAN 80Y, tel: (44) 171 374 4812, (44) 171 489 1494. Fax (44) 171 374 8350

(1+e/100) =9/560

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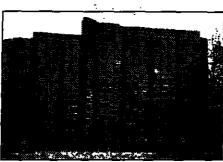
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COMMERCIAL PROPERTY

Acting on the behalf a Belgian bank Müller International Immobilien GmbH and CAVENS & Co request bids for the following property on a cor

Office and administration building in a representative location of Brussels

The property is situated near the centre of Brussels, the seat of the European Parliment, on a main traffic artery, the "Avenue de Tervnren". The district is located near to the centre, has main roads leading into and out of the city, and because of its convenience both for the city centre and the motorways and airport can be desdribed as one of the preferred office locations in Brussels. Access to the motorway for Liège is only approx. 10 minutes away. The city centre is only about 5 minutes away by tram or underground. Public transport stops right in front of the building.





Property details: The property consists of three sections (A, B, C).

Section A: Section B: Section C:

9 storeys; approx. 7.288 sq.m. (unoccupied) 1 storey; approx. 1.276 sq.m. (le to various doctor's surgeries) 3 storeys; approx. 1.467 sq.m. (partially let)

Parking spaces: Year of

135 spaces in underground garage (18 of them rented)

construction:

Glass facade, fully air-conditioned, 3 lifts Equipment:

Interested parties are requested to submit a firm bid in a sealed envelope marked <u>Tervuren House</u> to Müller International Immobilien GmbH. Corporate Real Estate Services, or CAVENS & Co by 31 May 1996. After examining the bids, the clients of Müller International and CAVENS & Co will contact you to discuss the further procedure

For further information, we have compiled a detailed sales dossier.

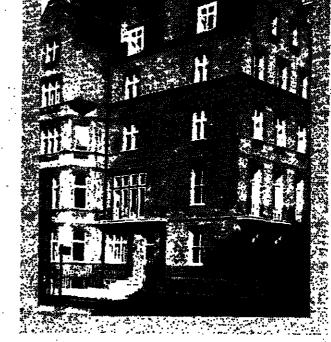


40547 Düsseldorf Germany

If you have further questions, please contact Ms. Sandra Berger, Müller International Immobilien GmbH, by calling +49/(0) 211/ 52 00 131 (Düsseldorf, Germany), or Mr. De Witte, CAVENS & Co. on +32/2 725 66 66 (Zaventem, Belgium).

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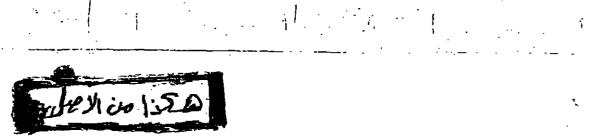
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Property Facilities Management on Friday, May 24

This special report will focus on the rapidly growing sector of Property Facilities Management. The report will be a valuable point of reference, and provide an ideal medium from which to capture the attention of the Chief Executives, MD's and Finance Directors who make outsourcing decisions. For Advertising details contact: Courtney Anderson Tel: 0171 873 3252 Emma Mulialy Tel: 0171 873 4901

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GLASGOW

An inspiring story of revival

Great progress has been made in restoring the city's image and morale, but the process of regeneration still has much further to go, writes James Buxton

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The recent history of Celtic is one of Glasgow's most inspiring tales. Until two years ago the football club's performance on the field was the despair of its dwindling band of specta-tors, while the shenanigans of its board were a cause of ridi-

Then a new chairman acquired control and injected fresh capital. Fans oversubscribed a share offer so amply that the club came back for another whack. Celtic shares joined the Alternative Investment Market (Aim) last year and have nearly trebled in value since.

And after years of indifferent performance on the field, the club last month finished only

their eternal Glasgow rivals, at 1988, which gave the city the top of the Scottish premier media exposure out of propor-

The combined effects of determined management and improved morale have strong parallels in Glasgow's own recent history. As most people know. Glasgow was deteriorat-ing rapidly in the late 1970s and early 1980s. Its heavy industrial base was disappearing before people's eyes, and its population, which was 1.1m in the 1950s, was falling.

But Glasgow's decline was partially arrested by a new strategy adopted by the Scottish Development Agency, the district council and the business community, which aimed at making the city centre more appealing to businesses, shoppers and visitors. It was based on the belief that service jobs could fully replace jobs in manufacturing.

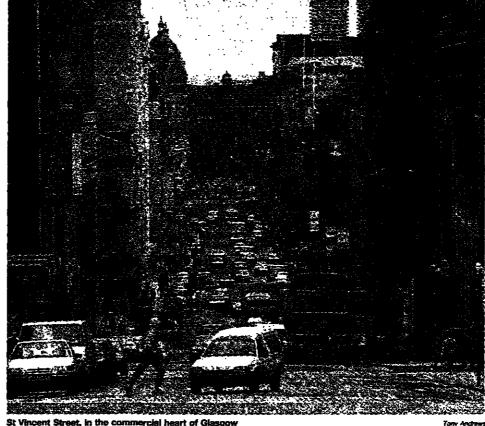
A public relations campaign based on the slogan "Glasgow's miles better" spread world-

wide. The city acquired a new image as a pleasant, exciting place, dispelling its past associations with crime and grime. Two memorable events harmedia exposure out of propor-tion to the event itself; and the title European city of culture in 1990, which cemented its position as a destination for cultural tourism.

But Glasgow has not shown 1990s that it displayed in the late 1980s. The UK recession which arrived in the city in 1991 halted a commercial property upsurge, bringing con-struction to a halt. The pace of economic growth has since been patchy.

However, the Glasgow Development Agency, the city's local enterprise company, has had much success in persuading UK companies to establish branch offices in the heart of the city: about 4,000 people. double the number of two years ago, work in call centres, selling financial services over

the telephone. The city is capitalising on its appeal to the world market for conferences and conventions by building a new conference centre, where in June 1997 up to 30,000 people are expected to attend Rotary International's



municipally-owned Gallery of

Modern Art has just opened. Middle-aged Glaswegians remembering poorer times are delighted at the new hotels. restaurants and smart shopping complexes that have sprung up in the city centre in the past few years.

Yet elsewhere, on the periph-

elict land and bleak housing estates. In Easterhouse, probably the worst, unemployment is over 30 per cent, levels of drug addiction are alarming and mounted police were introduced recently to combat gangs of teenagers.
The dire state of such areas

has strengthened a realisation among Glasgow's leaders that the strategy pursued over the some of its problems. The city still has average registered unemployment of nearly 14 per cent compared with the Scottish figure of 8 per cent, and unemployment among men is nearly 19 per cent.

The 1991 census revealed that Glasgow had the highest proportion of households without an earner and without a car of any local authority in the UK. The population is continuing to fall because of outmigration and low natural regeneration. Thanks partly to recent boundary changes, it is now down to 623,000.

The census also showed that the city's manufacturing jobs fell from 108,000 in 1978 to 37,000 by 1993, while the net increase in employment in services was only 6,500.

gared the city they were suppased the city they were sup-posed to serve," Mr Stuart Gul-liver, chief executive of the GDA, says. The process goes on as, little by little, long-established Glasgow companies move to more convenient sites in the new towns, or to the Lanarkshire enterprise zone. Office's long-term regional pol-

According to the Scottish icy, manual workers from Glasgow's outer estates can travel to take jobs in the favoured areas. In practice, this is too difficult and expensive.

But last year Glasgow launched a new strategy which marks a rejection of the idea that a city can survive mainly on service industries. The GDA is now spending heavily to create modern industrial sites within Glasgow's boundaries for the first time in nearly 50 years, with the aim of attracting manufacturing investment

Mr Gulliver calls this "the most important single policy for the future of Glasgow". It should mean the creation of manufacturing jobs close to areas where working-class peo-

Mr Robert Gould, leader of the Labour administration on the City of Glasgow Council, sees the policy switch as part of a broader strategy to regenerate the city's eight poorer areas, containing more than a quarter of its population.

The council is a unitary authority which took office last month in the reorganisation of Scottish local government. Under the reform Glasgow took control of functions such nauld, originally created to as transport and social services which were previously the responsibility of Strathclyde

Growth in both manufactur-

ing and service jobs has been

much stronger a few miles

beyond Glasgow's boundaries.

particularly in the new towns

of East Kilbride and Cumber-

ease the population and hous-

'The new towns have beg-

ing pressures on the city.

region, now abolished. But it lost the additional spending which Strathclyde directed of its importance to the region.

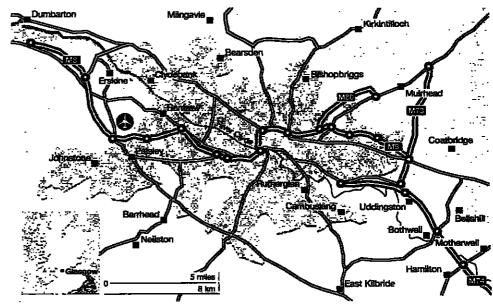
Glasgow now has to rely more heavily on its own tax base to meet its needs. This became starkly apparent earlier this year. Glasgow is hav-ing both to cut spending (which it admits had risen too fast) and to increase its council

tax by 19 per cent.
Yet Glasgow's 600,000 people
make up only half the 1.2m
population of the greater Glasgow area. "A good percentage of people living outside the city [in suburbs like Bearsden] but coming here to work or go to the theatre probably use more of our facilities than Glaswegians do," says Mr Gould.

Yet, he notes, council tax in East Dunbartonshire, which includes Bearsden, went up by only 4 per cent. The government, he says, must change the way it allocates funds to

local government.
Mr Gulliver, who shares Mr Gould's frustration at the limits to the city's jurisdiction over the greater Glasgow area, sees the revival of Glasgow as something that will take a generation or 25 years: in other words, it has already begun, but there is still much to do.

Last week the Glasgow-born historian Norman Stone, an authority on Germany, wrote that Glasgow was the only UK city apart from London which Germans respect: they recognised that it had been brought back to life. It was a convincing endorsement of Glasgow's claim to be a great European





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Glasgow's help. Indeed, the Company is now well en route to achieving its aim of being the largest telebanking company in Europe." - Peter Christensen, TSB Telebanking.

If you would like to receive case studies of well-known companies which have already benefited by being in Glasgow, or investigate how your company performance might be raised, please contact Stephen Running at the Glasgow Development Agency on 0141 204 1111.

COMPANY PROFILE

Hewden-Stuart

It may be time to be bold

Geoff Dyer looks at a striking example of successful entrepreneurship

Mr Sandy Findlay, chairman of Hewden-Stuart, the plant hire group, comes across as a cautious man by temperament. But he insists that when he says the outlook for the construction industry is still very gloomy, he is just

being realistic. "We are not as confident as some others that there will be a recovery this year," he says. We are gearing ourselves for the whole of 1996 remaining difficult."

With such a bleak prognosis, the City might be expected to to be downber about Hewden-Stuart. But despite Mr Findlay's warning last month that trading in the first two months of this year had been poor, aggravated by the bad weather which brought much construction work to a standstill, the group's shares have continued to rise.

In an industry with its fair share of red ink and collapses in recent years. Hewden-Stuart recorded a profit throughout the recession, even if the figures were well down on the late 1980s. The group has won itself a reputation as one of the best managed stocks in the construction sector.

While the Scottish economy has often been criticised for its poor record of creating Stuart is a striking example of successful entrepreneurship. The group was founded in the early 1960s when Sir Matthew Goodwin chairman until last year, bought a half share in a

mechanical shovel for £500. Floated in 1968, Hewden-Stuart has grown from its Glasgow base to be the largest independent plant hire firm in the UK with a presence throughout the country.

Although Sir Matthew is a former deputy chairman of the Scottish Conservative



Sir Matthew Goodwin, former chairman, with Sandy Findley, his successor at Hewden-Stuart

executive directors in their

Mir Alastair Deakin.

40s and early 50s - Mr Ray Ledger, Mr Roger Quenby and

difficult year, Mr Findlay has

scaled back in the second half

of last year and this year the

figure will be around £36m,

compared to £60m last year.

and gloom. Mr Findlay says

that the group has been able

increases for crane hire and

And if the industry is

more acquisition opport-

"People have committed

themselves to borrowings.

Many of them will now be

Mr Findlay could face the

Rentokil, whose £2.1bn

in the $a\eta$

of men which, taken at the flood

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personal situation in more detail.

fund this?" he says.

thinking: how am I going to

In the area of acquisitions

biggest decision of his tenure

at the helm of Hewden-Stuart.

struggling, there should be

unities, Mr Findlay believes.

to push though price

rates for site accom

have also risen.

However, it is not all doom

been quick to take action.

Spending on new plant was

Faced with the prospect of a

party, Hewden-Stnart has stuck to a set of principles which might strike a chord with New Labour and Mr Tony Blair's stakeholder nomy.

The group has always stressed that the long-term view should take preceden over the short-term and that the goal of management is to provide a career structure and opportunities for employees, as well as boosting the returns for shareholders.

Two years ago Sir Matthew used the group's annual results to launch an attack on the City. Short-term pressure from investors and analysts, he claimed, was behind the failure of many British companies to keep investing during the rec

Mr Findlay, who has been with the group since 1969 and chief executive since 1993. took over as chairman from Sir Matthew last year. So while the style has become more low-key, there is considerable continuity too.

Now aged 60, Mr Findlay is facing his own succession issue. He hopes to appoint a group managing director this year who would become chief

ot men

here is a tide

leads on to fortune.

executive in two years' time, takeover offer for rival business services group BET, was accepted last month, is allowing him to become a non-executive chairman. sidering whether to sell The obvious candidates for the job are the group's three the large plant services

division it has inherited. Mr Findlay says that, if the opportunity arose, Hewdenuart would at the very least take a close look at BET's UK operations. With a value possibly approaching £200m. such an acquisition would be the group's largest ever and would transform it. It would also inevitably lead to a substantial issue of new paper, a move which Hewden-

Stuart has so far resisted, The Hewden-Stuart chairman does not entirely rule out the possibility of a bid for BET's larger US business. which would be the group's first venture abroad, although

he thinks this unlikely. Any international expansion is more likely to come in continental Europe, he says, where the group has been close to a couple of deals in recent years, but pulled back.

Either move would be a significant departure for Hewden-Stuart. The captions Mr Findlay is about to be confronted with some tough



The economy: by James Buxton

of £70m.

In the sectors that are likely to flourish in the future, Glasgow seems well-placed

Mr Stuart Gulliver, the ruminative chief executive of the Glasgow Development Agency, says cities "are the wealth of nations. If you don't invest in them, you imperil the national economy." Glasgow's importance is to be a melting pot generating a great range of dynamic activity that stimulates the wider economy, he

Yet despite his frustration at the intractability of many of Glasgow's problems and the limited power of the GDA to solve them, he sees a number of factors working in Glas-

gow's favour. One is the sheer diversity of economic activity in the city, much greater than would be found in a small town. Another is that the steady creation of more households, though of smaller families, through divorce and single parenthood, is likely to mean more people wanting to move to cities like Glasgow to enjoy its atmosphere and cultural life, offsetting the declining population.

A third is his belief that Glasgow has a strong position in the sectors likely to flourish in the future, such as researchbased industries, design, architecture and cultural industries. Glasgow is the service centre for much of the west of Scot-

land's 2.5m people, providing professional services and much of the area's retail capacity. Most of the retail space is in stores and shopping centres in the Argyll Street and Sauchiehall Street areas, and not in out-of-town shopping centres. Glasgow has the lawyers,

for much of the industrial sector. "It's my perception that community has now got back to the level it reached in the early 1990s," says Mr Ian Bankier, a leading corporate lawyer who has become managing director of Burn Stewart, a quoted whisky company.

With services comprising 85 per cent of the city's labour force, "they will always dominate the city's economy," says Mr Steve Inch. head of Glasgow city council's economic egeneration unit.

The largest companies head-quartered in Glasgow are for the most part service busies, led by Scottish Power, the electricity company which last year expanded by acquir-ing the regional electricity company Manweb in England and Wales. Next, in terms of financial activity, are Scottish Mutual, the life assurance company, Clydesdale Bank and Abbey National Life, parent of Scottish Mutual.

Mr Inch's regeneration unit has a budget of £11m to spend on helping companies become stronger and more competitive, and on "exploiting Glasgow's unique assets". The latter include its cul-

tural industries, which embrace not only the arts but also the media, of which the city is the principal centre in Scotland. Glasgow has the headquarters of BBC Scotland and of Scottish Television, and the offices of many of the daily papers produced in Scotland, whether Scottish or London titles.

But manufacturing has lately been attracting much attention. Albion Automotive is an example of a phoenix risen from Britain's indigenous motor industry. The Glasgow-based axle

maker went into receivership with the rest of the Leyland Daf group in early 1993 but was rescued by a management buyout promoted by the Glasgow Development Agency. This involved funds from the Scottish Office. Strathclyde izi council. Hank of Sc land and, unusually, the receivers, Arthur Andersen.

When Mr Dan Wright led the MBO as managing director, Albion had annual sales of £30m and employed 440 people, to the new towns may take most at Scotstoun in Glasgow.

Last year Arthur Andersen sold out ahead of schedule because Mr Wright had already created a free-standing business from an internal division of a large company and had achieved annual sales

Manufacturing accounts for less than 15 per cent of jobs in Glasgow but the 45,000 people it employs still make Glasgow the biggest manufacturing cen-tre in Britain outside London and Birmingham. Furthermore, economists believe that jobs in manufacturing are a significant creator of spin-off iobs in services.

But Glasgow's manufacturing base saw a precipitous decline in employment

The 45,000 people it employs make Glasgow the third biggest manufacturing centre in Britain

between 1978 and 1993, with 70,000 jobs being lost to the city. Nearly two-thirds of those, however, were accounted for by companies moving out of Glasgow to other locations. The other third were caused by closures.

Some manufacturers have left Scotland altogether. Others, however, have moved to the new towns, to Clydebank formerly an enterprise zone and to the new enterprise zone in Lanarkshire.

For example, the drinks maker A.G. Barr, producer of the well-known Irn Bru soft drink, recently moved its main operations from Glasgow to the new town of Cumbernauld, while other companies have moved to East Kilbride. "Companies that move away

some of their people with

leader of Glasgow city council, "but eventually they will become a focal point for the new town."

But Glasgow still has significant UK manufacturing companies. It is the name of the Weir Group, one of the world's leading pump producers; it has two of the UK's remaining ship yards, the Norwegian-owner Kvaerner Govan, and Yarrow, GEC's warship builder.

Barr & Stroud, the optronics company which has specialised in making periscopes, responded to the drop in defence orders by selling off its old plant to a supermarket and diversifying its sales outlets. It built a new facility with a smaller workforce in which actual manufacturing takes up less than half the floorspace.

While services predominate, says Mr Inch, "Glasgow also has the attributes to be a bigger manufacturing centre. Up to now, it has been held back by the lack of good sites."

The GDA has begun a programme to develop six sites to make them attractive to inward investors with manufacturing projects. The sites include Pacific Quay (the old Glasgow garden festival site), the west of Scotland science park, and areas at Cambuslang and Robroyston.

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"This is a new twist to an existing policy," Mr inch says. "We had been getting a small amount of inward investment in manufacturing but it has not been headline-grabbing stuff. Now we are more hope-

Mr Frank Blin, head of the business advisers Coopers & Lybrand's operations in Scotland, says he believes the business climate in the Glasgow area is improving, though it started doing so only in the past nine months "after going

"Businesses here are not as optimistic as they were in the late 1980s when we had the property boom," he says. "Now it's a case of slow and steady

Property: by Geoff Dyer

Uncertainty hits market

House prices and commercial rents are rising - but other developments are worrying

The Glasgow property market has been beset by a great deal of uncertainty in recent months. For a city that leans so heavily on service industries, the consolidation that is raging through all areas of the financial services sector has

heen a worrying development.

The biggest blow to the city came last month, when Scottish Amicable, the mutual life assurance company, announced that it was shutting its Glasgow headquarters.

The group, which had a six-storey building in St Vincent Street at the heart of the city's financial district, is shifting the bulk of more than 200 staff at its Glasgow HQ to the Craig-forth office complex near Stirling. (Its investment managenent department, which works out of a separate office, is unaffected.)

On top of this direct blow, there are a host of other potential headaches. Friends Provident, for instance, another mutual life assurer with a large Glasgow presence, is widely expected to be sold to another financial services

And the merger between Sun Alliance and Royal Insurance, announced earlier this month, could lead to 5,000 job cuts and is expected to spark off a further round of takeovers and mergers in the insurance industry, which could have implications for Glasgow.

There are huge changes going on in service industries at the moment, which we cannot be immune from," says Mr Simon Mitchell, a partner at Richard Ellis, the chartered

This uncertainty has hit the Glasgow market just at a time when it seemed to show signs of a sustained recovery. Commercial property rents for Grade A sites are around £16-17 per sq ft, according to property

This is well below the £20 that was reached in 1991 before the recession hit the market but it represents an increasing trend. And surveyors report that the level of incentives, such as rent-free periods that property companies offer, are declining.

The housing market is also picking up, with Glasgow house prices 6.1 per cent up in the first quarter of this year, compared with the same period last year, according to figures produced by the Royal Bank of Scotland, Scottish Homes, the national housing agency, and Registers of Scotland, which records all property sales.

Mr Patrick Vaughan, chief

executive of Pillar Property Investments, a property company with considerable interests in Glasgow, says: "I am not sure how strong and how widely spread it will be, but an upturn is on the way." Market professionals are put-

ting a brave face on the departure of institutions such as Scottish Amicable, Mr Mitchell says that it will help prevent a vacuum that has been developing in the market for top quality property. At the end of the first quar-

ter this year there was only 195,000 sq ft of available Grade A space and no developments were under way that would lead to more space coming on the market this year, he says. The result of the flux in the

financial services sector could be to release bigger buildings onto the market," he believes. The Glasgow property market boomed in the late 1980s after the city persuaded a num-

lured by the good communications and high quality labour. But since then the common complaint has been the lack of suitable, high-quality space.

The situation is aggravated by the design of the city most blocks in the financial district have a lane running through the middle of them, which means that the buildings are often relatively small. And large parts of the city centre are listed, so any refurbishments have to take place behind existing facades, which

can be costly.

A number of projects are under way to address this shortage, although given that

The result of the flux in the financial services sector could be to release bigger buildings onto the market

on signing up tenants prior to construction, property professionals are anxious to see if the resent uncertainty has any

many of them are dependent

Despite the closure of its Glasgow headquarters, Scottish Amicable is the investor behind the 212m development of Ashley House on West George Street. Construction has already

begun on this speculative 77,500 sq ft development and it is due to be completed by next spring, according to Mr Bill Colville, director of DTZ Debenham Thorpe, the letting agent for the project.

Pillar is still trying to secure tenants before starting con-

struction on the second phase of its Broomielaw development project - the area between the financial district and the river.

The overall plan is to develop 700,000 sq ft of office space over a number of years. in conjunction with Bellhouse Joseph, but the initial undertaking is to develop a 130,000 sq ft site.

Other developments include 95,000 sq ft of office space at Albambra House on Waterloo Street by Friends Provident and the £8.5m project to develop 65,000 sq ft in George Square by the Co-operative Insurance Company.

Glasgow's retail market has also been the victim of uncertainty Construction has begun on the £150m Buchanan Galleties development, by a partnership of Slough Estates and AMP Asset Management. The project is designed to

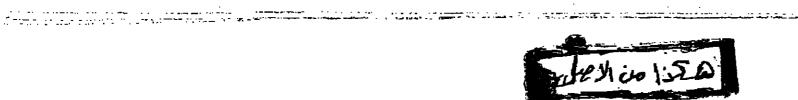
extend shopping on Buchanan Street, one of the city's busiest retail streets, all the way up to the new concert hall, which was opened as part of the year of culture celebrations in 1990. The 600,000 sq ft development, which is due to be completed by 1999, has a 300,000 sq ft John Lewis department store

as its backbone. However the outlook for this development has been clouded by the decision to go ahead with a huge, new out-of-town retail development at Braehead, to the west of the city. The £225m project is a partnership between Marks & Spencer and J. Sainsbury, the retailing groups.

The consortium had consecu for their original plan but was refused permission when it submitted a reduced version, as Strathclyde Regional Council had decided that Braehead might affect other projects such as Buchanan Galleries. However, the consortium is going ahead regardless with its



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GLASGOW III

Call centres: by James Buxton

So friendly on the phone Confidence starts to return

Do the city's inhabitants have a vocation for the fastest-growing sector of its economy?

Glasgow's substantial financial services sector has been swollen in the past few years by the fast growth of call centres offices where large numbers of people deal with customers over the telephone.

More than 4,000 people are now employed in about 40 call centres in Glasgow. This is still a small proportion of the 2,500 or more call centres which now exist all over Britain and which employ about 40,000 people. But for Glasgow the phenomenon is significant because call centres are probably the fastest-growing sector of the city's economy.

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Furthermore, Glasgow has identified itself closely with call centres: attracting them is probably the most successful aspect of the Glasgow Development Agency's recent work in inward investment. The GDA has also combined with some of the main companies in this new industry to spur the setting up of a UK-wide Call Centre Association based in Glasgow.

The agency likes to see Glasgow as "call centre city" with the implication, which has some justification, that Glaswegians have a particular vocation for this type of work.

The call centres supplement the existing financial community: Glasgow has long been the headquarters of the Clydesdale Bank, Scotland's third biggest bank which belongs to the National Australia Bank. The city has a life assurance sector led by Scottish Mutual, now part of Abbey National, and has offices of the major UK composite insurance companies.

Glasgow has its own branch of the London stock exchange, which claims to process a third of all private retail share transactions in the UK using the Talisman system. But in a year's time the 17-strong staff will probably be slimmed down to five when Talisman is superseded by Crest and will concentrate mainly on promotion and public relations.

There are 11 stockbrokers based in Glasgow, plus two firms of market makers and a small fund management community, dominated by Murray Johnstone which

manages about £4bn of funds.

Is investment in

cultural projects

fortunes?

establishment.

really the best way

to revive the city's

During 1990, Glasgow's year in the limelight as European City

of Culture, Pat Lally, then

leader of the city council, had

long-running dispute with

James Kelman, the Booker

prize-winning novelist and

scourge of the London literary

Ostensibly, their argument

was an aesthetic one, over the

virtues of a mural commis-

sioned for the new concert

hall, the grand projet of the

However, at heart their dis-

pute was political. Mr Lally

has been one of the pioneers of

the idea that Glasgow should

revamp its image and invest in culture and tourism as a

Meanwhile, Mr Kelman

argued that it was wrong for a

(Labour) council to be spend-

ing so much money on glitzy,

middle-class diversions such as

art galleries and classical con-

certs, while so many of the

means of reviving the city.

year of culture celebrations.

■ Culture and society: by Geoff Dyer

Barclays Bank to establish a branch of what is now called Barclays Stockbrokers in Glasgow in 1986. Other reasons for its choosing Glasgow were the ready availability of office premises and an easy journey between the city centre and London

Barclays Stockbrokers employs about 250 people in a telephone-based share-dealing service. Other financial services companies which followed it were TSB Phonebank and TSB Homeloans, the former dealing since 1991 with bank customers usiness 24 hours a day and the latter administering mortgages sold by TSB's bank branches.

The most spectacular expansion in call services has been that of Direct Line, the motor insurance subsidiary of the Royal Bank of Scotland created by Mr Peter Wood. Direct Line first opened in Glasgow in 1989. With financial services and life assurance recently added to its product range, it now employs more than 1,100 people in Glasgow, making it the compa-

Glaswegians are "blessed with quick wit and talk easily with our customers'

ny's largest centre after its headquarters in Crovdon.

Mr Lyndon Thomas, an executive director of Direct Line, says that the Glasgow operation has the lowest staff turnover of all its six city locations.

Away from financial services, British Airways was an early company to choose Glasgow for a call centre, setting up a elephone sales operation employing about 400 people in 1990. BA moved part of its reservations system away from the London area where staff turnover averaging about 35 per cent a year was a major source of unnecessary cost. It has found annual staff turnover in Glasgow averages between 3 and 4 per cent.

British Telecom has a direct sales operation in Glasgow to sell BT's services over the telephone. It employs about 200 people. A relatively recent arrival in the city is the BBC Radio Helpline, a service launched in early 1995 which provides advice to callers from all over the UK on The existence of a skills base in finan-issues arising from BBC radio cial services was one factor helping attract programmes. It began with a staff of 80.

Another call service provider is Network Scotland, which has been operating since 1979. It handles services such as the national AIDS helpline and the drugs helpline, and the NHS helpline in Scotland.

For many incoming companies the attractions of setting up in Glasgow include being in a big, sophisticated city with a large labour pool, endowed with a transport infrastructure that enables staff to get to and from work easily at almost any time of the day or night. In addition, it has rarely been difficult to obtain premises, specially since the big construction upturn in Glasgow at the end of the 1980s.

The availability of regional selective assistance in a development area has been very important for all companies. BA has said it calculates that the package of financial assistance it obtained for creating 400 jobs was worth £2m. representing about 11 per cent of the £18m relocation cost. assuming annual rent is capitalised over

But other important factors are the Scottish accent and the friendliness of most people in the Glasgow labour pool. Mr Justin Urquhart Stewart of Barclays Stockbrokers, a leading figure in the Call Centre Association, says: "In Scotland there is a clarity of language. It's simply good speaking. People who work on the phones use their voice as a part of their style. It gives them an edge.

Mr Martin Hunter of BT says Glaswe gians have the ability to create instant relationships with customers. "Blessed with quick wit and a naturally friendly personality, they talk easily with our customers," he says.

These are not necessarily subjective views. Mr Guy Fielding, an Roglish-born academic at Queen Margaret College in Edinburgh, says that in a telephone call the accent of the other person (whom one does not know and cannot see) is a crucial clue to their identity, which suggests sterectypes to the caller.

The stereotype suggested by a Scottish accent is positive, he says: Scots are seen as being friendly, intelligent and well-educated, as well as trustworthy in dealing with money - a valuable attribute in selling financial services.

Scots are not alone in scoring by this measure, he believes. While Anglo-Saxons are considered reserved, people in the UK's Celtic fringe - Scots, Welsh and Irish - are seen as warm and communicative.

■ Clydeport: by Geoff Dyer

The key to achieving further growth may lie in the Hunterston coal terminal

The riverside offices of Clydeport, the Glasgow-based privatised ports operator, speak volumes about the self-confidence the city boasted at the turn of the cen-

The port authority's trustees - a collection of the City's great and good - used to congregate in a lavish, oak-panelled circular room that looks more like the parliamentary chamber of a small country than a company boardroom.

The corridors are flanked on one side by stern portraits of the port's pioneers and on the other side by stained glass windows proclaiming Presbyterian pieties.

The city's maritime ambitions have been scaled back since then and the floor of magisterial meeting rooms is now used by Clydeport only when it has not been hired out to other companies.

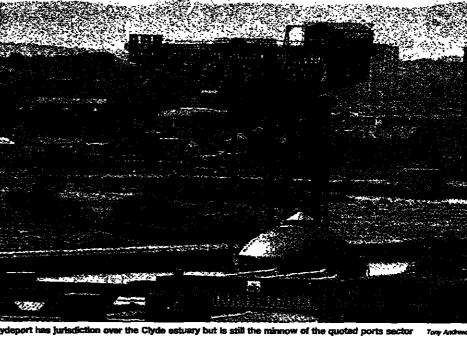
But some of that old confidence is returning to the group. Four years after privatisation and 18 months since flotation, Clydeport is experiencing something of a renais

It was a very different story back in 1992, When British Steel finally closed the Ravenscraig steelworks, near Glasgow, it was providing over 40 per cent of Clydeport's revenues. At the same time, Clydeport was considering closing its Greenock operation because of lack of business. Now the group is more con-

cerned that it will run out of capacity at Greenock. As a result Clydeport paid £1.95m in April for the former Scott Lithgow site next door; it had been owned by Trafalgar House, the engineering group. Clydeport, which is one of

the former trust ports, has jurisdiction over the whole of the Clyde estuary, an area of around 450 square miles. Its main port activities are at Glasgow, Greenock, Hunterston and Ardrossan; it also has considerable property inter-

The revival in Clydeport's



fortunes has been reflected in the group's results. Turnover has increased by 53 per cent in the last two years and pre-tax profits more than doubled. The shares, which were 131p at flotation, have gained about 30

Analysts think that there is still plenty of scope for further organic growth. The key to achieving this may lie in the Hunterston coal terminal on

the Ayrshire coast. Hunterston was a relic of British Steel's ambitions expansion plans in the 1970s. Completed in 1979 on 450 acres of land, the plan at one stage had been to build an integrated steel plant on the site. Clydeport bought it from British Steel in 1993 for £4.8m.

Hunterston has many attractions though. It has the advantage of being one of best-situated deep water terminals in Europe and can accommodate cape-size bulk vessels carrying cargoes of around 140,000

Although volumes through the terminal increased 31 per cent to 2.64m tonnes last year, only 60 acres of the stockyard is currently being used, half of the available capacity. A rail

link is waiting to be operated if customers demand it.

Mr David Hunt, the group's managing director, says that Clydeport has had talks with around half a dozen other potential customers. But he admits that the abil-

ity of the group to make full use of Hunterston's resources depends on what happens to the UK coal industry post-privatisation. It is too early, he says, to predict what the demand for indigenous coal and imported product is going to be.

At Greenock, the group has not yet finalised its development plans for the Scott Lithgow site although it has the potential to be used as a working port.

Glasgow has also seen a considerable rise in traffic in the past three years, much of it for animal feeds. The group is building new sheds to accommodate more traffic. At Ardrossan planning permission is being sought for a new marina and retail develop-

Despite this record, Clydeport, with annual turnover of £18.2m, is still the minnow of the quoted ports sector. The group has been left behind by the wave of acquisitions that has transformed the sector in recent years. Forth Ports, its Edinburgh-based rival, has acquired the port of Tilbury on the Thames while Mersey Docks owns the Medway Ports.

Clydeport was a strong favourite to acquire the port of Dundee when it was privatised last year. That would have given the group a presence on the east coast. But it was pipped by Forth Ports, which paid £10m

Mr Hunt plays down the importance of making acquisitions, pointing out that unlike other industries, acquiring new ports rarely adds anything to a group's existing business. He acknowledges that the pace of consolidation has slowed. "There are very few ports for sale at the moment," he says.

Clydeport would be interested in the port of Tyne, which is due to be privatised, and also in Belfast, he says. However, analysts suspect the group could find itself in the same situation as it faced with Dundee - being outgumed by its larger competitors and their greater financial muscle.

ty's former manufacturing workers were withering on the Six years later Mr Lally is CARAMEL WAFERS EXPORTED FREE CARAMEL to your friends and relatives anywhere in the world! Yes it's true our anonymous benefactor told me so himself. Two free packets of caramel wafers delivered to a friend or daive anywhere in the world. All you have to do is fill in your lative siftiend's name and address, add a short message, cut out this Caramel Coupon and send it to: Thomas Tannock's, 34 Old Mill Road, Uddingston, on or before 16th May 1996 P.S. A big thank you to him, whoever he is!

The image and the reality Arts and Venues, Glasgow was

to pay for new works:

Galleries this month.

design festival.

Square.

retrospective show of the

works of Charles Rennie Mack-

neglected during his lifetime,

but is now celebrated in every

So after a period in which it

seemed the city had lost its

momentum following the 1990

vear of culture. Glasgow is

back in the public eye. 1996 is

in fact the Year of Visual Arts

in Glasgow - having lost Arts

Council support for a festival.

the city has gone ahead on its

own, ignoring the accusations

around 20 per cent adult male

the public money and media

with facts and figures to show

that the investment has been

worthwhile. In terms of the

city's economy, the cultural

sector is the fastest growing

According to the "Glasgow

sector grew by 41 per cent to £420m between 1986 and 1993.

while the number of people

industry, it says.

The city's Royal Concert Hall

多联盟

back - he was appointed Lord Provost (mayor) in April - and Glasgow is once again humming with cultural activity, much of it municipally spon-

Last month saw the opening of the new Gallery of Modern Art - now known as Goma in the old Stirling's Library, one of the city's finest classical buildings.

While the public has embraced the new gallery with enthusiasm - 100,000 visits in the first three weeks - the critics have been unsparing in their criticism of Goma and its curator, Mr Julian Spalding, over the lay-out, eccentric election of paintings and even

one of the first cities to appreciate that culture can be used as "a tool of urban regeneralarger than just economic development. The cultural life of a city affects its confidence in itself and the image other people have of it," he argues. The impact on the tourist industry has been much more

dramatic. Ten years ago few people would have considered visiting the city for a holiday: now, after London and Edinburgh it is the most popular destination in the UK, with However at the very least, 1.2m visits a year.

Glasgow now has an excellent The tourist industry in the resource for collecting and Greater Glasgow area has an showing modern art. The city annual turnover of around council has set up a £3m fund, £600m and employs 48,000 peofrom which the interest is used ple, 10 per cent of the city's workforce. Other highlights include a

Mr Jack Munro, chief executive of the Greater Glasgow and Clyde Valley tourist board, intosh - an architect, artist says that £350m will be and designer who was invested in new tourist projects over the next five years.

These include plans to bookshop and gift store in the develop the site of the 1988 garcity - opening at the McLellan den festival, much of which has since lain empty; to build a Last month, there was an football museum at Hampden international art fair in George Park, where Scotland play, and Square, in the city centre, and in the autumn there will be a to develop a conference centre.

The economic benefits of Preparations have begun for these investments are not just in tourism, Mr Munro says. 1999 when Glasgow will be the City of Architecture and plans They enhance the quality of are well advanced to build a life and reputation of the city, new National Gallery of Art which makes it a more attracand Design in the old post tive option for inward investment and relocation." office building in George

But, though Glasgow has the backing of a ruthless and professional public relations apparatus, its reputation has taken a dent in the last year.

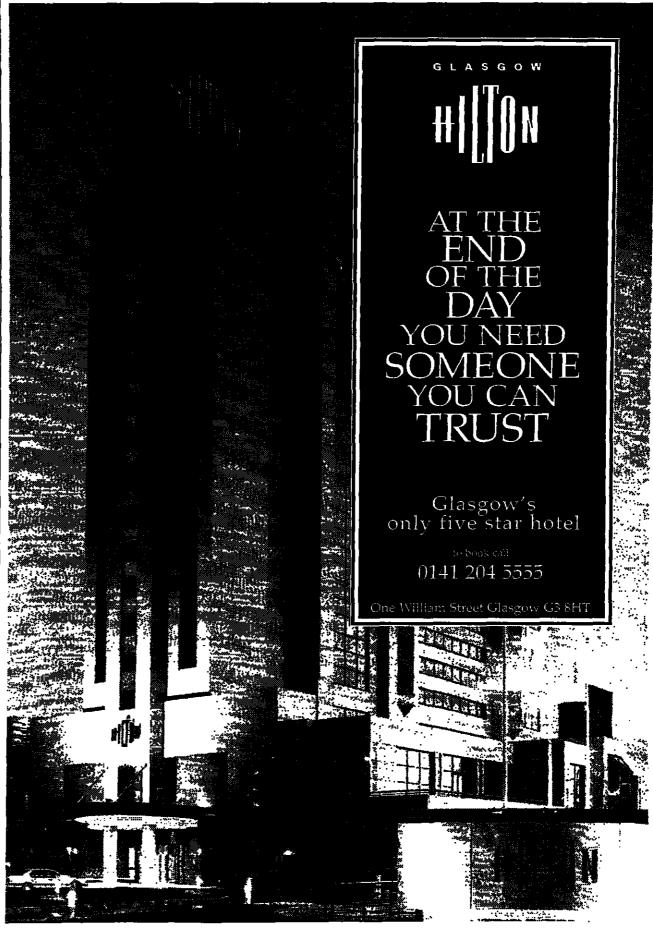
Glasgow is a still a city with huge social problems which are currently getting as much publicity as its painters and modern dance troupes. It has one of the worst

of bad sportsmanship. However despite all the records for heroin addiction in the country and drug-related activity, Mr Kelman's question offences have spiralled since is still valid. In a city with the beginning of the decade. There has also been a marked unemployment, what has all increase in violent crime and the police have warned about hype done for Glasgow's ailing the escalating gun culture. economy?
The city council is armed Just as worrying for the

city's image-makers is that some of the damage to Glasgow's carefully-constructed reputation has been caused by the very people they seek to glamorise - its artists.

The novels of such writers as Mr Kelman and Jeff Torrington Cultural Statistics Framework describe a city that is still Summary", published last extremely poor, dangerous year, turnover of the cultural and, at times, desolate - a million miles away from the world of the Burrell Collection and Merchant City wine bars.

employed increased by 12 per However hard the PR men That is only part of the picand women may try to avoid it, ture, according to Mr Bob Mr Kelman is still vying with Mr Lally to define the image of Palmer, director of the council's Department of Performing the city.



racy the sheep, Herman the bull and Grace the goat may not sound like picneers in biotechnology. But their offspring - genetically engineered to produce medicines in their milk - are already making strides towards becoming drug fac-

Last week, PPL Therapeutics, a Scottish biotechnology company, said the technology was advanced enough for it to seek a listing on the London Stock Exchange. It plans to launch products extracted from sheep milk from 2001. They include alpha-1-antitrypsin for cystic fibrosis and factor IX for haemophilia.

The others are as close to commercialisation. Genzyme Transgenics of Massachusetts (48 per cent owned by Boston biotech company Genzyme) is planning to start clinical trials by the autumn of antithrombin III for blood clots. It is extracting drugs from goat

And Pharming, spun off last year by its former US parent, GenPharm International, and now an unquoted Dutch company, is developing collagen for tissue repair and arthritis, and lactoferrin, a natural antibiotic. Its first products, from cattle, could be launched in 1999.

Between them, the three compa nies are promising to develop drugs for medical conditions that range from cancer and heart disease to

The commercial strategy and basic science are similar for all three, says Harry Meade, vice-president for transgenic research at Gen-

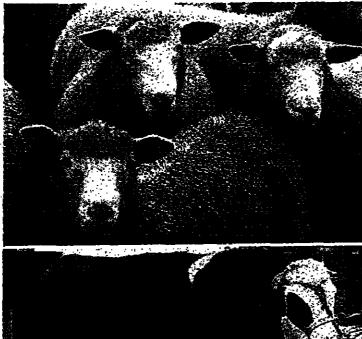
zyme Transgenics.
The strategy is to find more effi-cient ways of making complex protein molecules. The biotech industry manufactures some molecules that are too large to produce by classic chemical methods, such as insulin, in fermenters from genetically engineered micro-organisms (such as bacteria or yeast) or cultures of living human or animal

But insulin is much simpler than many molecules that pharmaceutical companies would like to make. More complex molecules go through several stages in their production and it becomes increasingly difficult to keep several different kinds of cell alive and free from contami-

"Keeping them clean is especially difficult. Cells don't have immune systems like animals do," says

Ron James, managing director of PPL Therapeutics, says drug companies know of many complex pro-teins that they want to manufacture because of their likely medical need. "We are working on materials that drug companies wanted to test but couldn't make enough of," he

George Hersbach, chief executive



Medicine from milk

Daniel Green and Clive Cookson on drugs from transgenic animals

important for human health but are difficult to make by the biotechnology industry's conventional methods. These include complex proteins such as human type I collagen, a triple-stranded spiral molecule whose biosynthesis involves two

There are, however, minor varia-tions in the scientific theme underlying the animals. Apart from the obvious difference between sheep, cows and goats, the companies have chosen a different "promoter" gene to ensure that the desired human protein is produced only in the animals' mammary glands.

The promoter is the control region of an animal gene for a proof Pharming, says his company, too, has gone for molecules that are tein related to milk production that is normally switched on in the mammary glands. This promoter is joined to the gene coding for the desired human protein - such as factor IX for PPL or collagen for Pharming - to make a combined "DNA construct", which is micro-in-

jected into the newly fertilised egg. All three promoters seem to work well. They switch on the human genes so that the products appear in the transgenic animals' milk but not in the blood or other tissues. There is no clear evidence yet to show that any of the promoters is better than the others.

When the DNA construct is injected into the fertilised egg, it only "integrates" successfully into the embryo's genetic material (genome) in 5-10 per cent of cases, says Gerard van Beynum, Pharming's vice-president for R&D.

Although there is still no way of directing the DNA to a particular place in the genome - its insertion is completely random – it seems to be stable and can be passed on reliably from one generation of transgenic animals to the next.

"We have seen this consistency in three generations of cows and 15 to 20 generations of transgenic mice,"

van Beynum says. Collagen and lactoferrin will be required in relatively small quantities to treat patients but serum albumin - another protein being developed by Pharming - is a differ-ent matter. Instead of a few milligrams each, patients in shock need doses of up to 100 grams of albumin. So, for albumin, the advantage of cows is that they could produce large volumes of the protein at low

Although it takes longer to build up a herd of transgenic cows than a flock of sheep, Pharming says that this does not matter in practice because other technical and regulatory issues determine the pace at which the products can be devel-

Meade is more sceptical. "Goats and sheep are pretty equivalent. Both take 18 months before you have lactation." Cows take about twice that time and "you can't start your regulatory processes until you've got milk being produced". The debate may be academic. Such is the range of diseases each company is pursuing that, if the technology leads to pharmaceutical quality medicines, there will be room for all three companies. Patent disputes seem, so far, to have been avoided through cross-licencing.

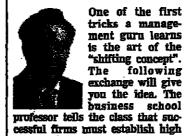
The early products from transgenic milk will be purified and administered as if they were conventional drugs. Later, says Hersbach, Pharming hopes to develop orally active proteins "which you can take simply by drinking the

Meade concedes that the use of genetically changed animals is only now moving from the "speculative" to the "non-standard" as a means of producing medicines.

But then the technology has already come a long way. Rick Lathe of the Centre for Genome Research at Edinburgh University was one of the pioneers of the technique that is now used by PPL. He says that he hawked the idea of making drugs in sheep's milk around the UK pharmaceutical companies in 1983-84. "They told us we were mad," he

JOHN KAY

Oh Professor Porter, whatever did you do?



is the art of the "shifting concept". The following exchange will give you the idea. The business school professor tells the class that successful firms must establish high

"What about BMW?." asks the smartalec student in the front row, who knows that BMW has a far smaller share of the world car market than many less successful companies. "Ah," the professor replies triumphantly, "BMW has a high market share in the luxury

Take another example: the claim, widespread a few years ago, that quality is free - higher quality invariably leads to higher profits. It only requires a second's thought to see that this claim is quite absurd, although a second is long time in the world of management gurus. Harrods makes less profit than Wal-Mart and the Savoy was not as good an invest-ment as Forte Travelodges. Not many people need, or will pay for, the level of quality which Harrods and the Savoy provide.
I expect that several manage-

ment consultants have already switched on their laptops and modems to communicate with the editor. They will write that I have completely misunderstood what is how the Michelin guide assesse ordinary people mean by quality.

meant by quality. Other people would say that the Waterside Inn at Bray provides better-quality meals than McDonald's. That is quality when it awards three stars to the Waterside Inn and does not list McDonald's. It is also what But that ordinary meaning of quality is not what business gurus mean by quality. What they mean is quality relative to customer expectations, or quality relative to what you set out to achieve. By these standards, McDonald's quality is outstanding, and that is why McDonald's is such a successful

company. There is a sense in

which this is right. But the price a

guru pays for this kind of infalli-bility is very high. Since there is no observation which could ever

One of the first refute his claim, his maxim gives you no practical guidance.

So does the pursuit of quality mean these firms should change what they do? Should McDonald's offer duck a l'orange, or the Waterside Inn offer even more exquisite morsels at even more elevated prices? I don't know and nor does he. And the injunction creates confusion among simple people who thought that quality meant what it usually means. It had precisely that effect at British Home Stores, which thought it had to move up market, only to discover that Marks and Spencer customers were happy at M&S and British Home Stores customers didn't want to pay the extra.

One of the most famous proposi-tions in business strategy is Michael Porter's injunction not to be

Return on investment by strategic position

Quality(%) Low Med High 6.8 13.9 17.9 3.4 18 18.8

"stuck in the middle", "The worst strategic error is to be stuck in the middle, or to try simultaneously to pursue all the strategies. This is a recipe for strategic mediocrity and below-average performance, because pursuing all the strategies simultaneously means that a firm is not able to achieve any of them because of their inherent contradictions." (Porter, 1990, p5). "A classic example is Laker Air-

ways, which began with a clear cost focus. Over time, Laker began adding frills, new services and new routes. The consequences were disastrous." (Porter, 1985, p17). The trouble with this proposition is that it is not true. Porter is wrong in his account of why Laker failed, and many successful firms are stuck in the middle.

Every Sainsbury van has "Good food costs less at Sainsbury" painted on the side. Is Sainsbury's problem today that it is stuck in the middle? And Sainsbury is not alone. The above table drawn from the PIMS database, shows how return on investment relates to

the middle position - medium cost/medium quality - in fact does slightly better than the clearly focused choices of high cost/high quality or low cost/low quality. So what does a gurn do when faced with the prospect of an own goal? You shift the posts. Perhaps don't be stuck in the middle means not that you must choose

one or the other, but that if you don't succeed at something you will fail. Confronted by the Sainsbury van on British television, Porter argued that since Sainsbury was not a delicatessen, it must be a low-cost competition. Yet if "good food costs less" is not a strategic position which is stuck in the middle, it is hard to know what is. Perhaps all "don't be stuck in the middle" means is that it's good to

be good at something. You can find support for that version from Porter as well. "The firm failing to develop its strategy in at least one of three directions - a firm that is stuck in the middle - is in an extremely poor strategic situation." That, at least, is true. If you look at the table, you see that firms which have high cost/low quality, don't do very well, and indeed that the best situation to be in is to achieve high quality at low cost. But while it is useful to have one's intuitions

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confirmed, I already knew that. The version of stuck in the middle that is true - you won't socceed if you're not good at something - is so nearly tautological as to be hardly worth enunciating. The version of it that has significant content - that you cannot pursue both cost reduction and product differentiation - is clearly false. There are obvious dangers in confusing one with the other. That is why clarity of terms and precision of concepts are essential precursors to worthwhile knowedge on any subject.

Dr Joad was not simply pedantic when he argued that it all depends what you mean by market share, quality, or being stuck in the middle. It does.

Porter Competitive Advantage (1980) Competitive Strategy (1995). The Competitive Advantage of

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Prising Cotspanes Cour. IN THE MATTER OF GEC - MARCONI SONAR EN THE MAITER OF THE COMPANIES ACT, 1985

NOTICE IS HEREBY GIVEN that a Pedico was up the 30th April 1996 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Pressum Account of the Company by Pressure Account.

EF4,64R,653.

AND NOTICE IS HERREY GIVEN that the paid Petition is discount to be heard before the Companion Court Registers at the Royal Courts of function, Strand. London, WCZ ZLL on Wednesday Zhai May 1994.

ANY Creditor or Shareholder of the said Company desting in appear the making of an Other for the confirmation of the said valuation of Share Fremium Account shauld appear at the since of hearing in person or by Counsel for that

purpose. A copy of the said Pension will be fluxished any person requiring the state by the redemonstrate solicitors as payment of the contact charge for the pasts. Dured the 7th day of May 1996

LEGAL NOTICES

IN THE MAITER OF FAIRWAY GROUP PLC IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Position was on 11th day of April 1996 presented to Hor Majestry's High Court of Justice for the confirmation of the reduction of the share premium account of the above ments Company

by 12,304,000.

AND NOTICE IS FUETHER, GIVEN that the said Pension is directed to be heard before the Companies Court Registers at the Royal Counts of Justice, Suzued, Loudon WCZA 2LL on Wednesday, 22nd May 1996.

ANY CREDITOR or startcholder of the said Companies desired in section in section in said. Company destring to oppose the making of an Order for the confirmation of the said redection of the share premium account should appear at of the chare premium account should appear at the true of the houring in person or by Countel

for that purpose. A cupy of the said Periodes will be fundahed to regulated charge for the same. Dated this 19th day of May 1996

ASHURST MORRIS CRISP Broadwalk House 5 Appoid Street Tal: 0171 638 1111 Fee: 0171 972 7990

Solicianes for the mid Community

Yamada, general manager of the ▲ 🔻 🚣 Mori group's Shanghai World Financial Centre gestures from his office on the west bank of the Huangpu river across the busy waterway to a giant construction site.

Tomoshige

It is there, he says, that his company plans to construct the world's tallest building at a cost of about \$1bn (£664m). Mori, the Japanese property company, is confident Shang-hai's Pudong development area, a 520 sq km zone on the east bank of the Huangpu

world's great business centres. But Mr Yamada is under no illusions about difficulties involved. These range from inadequate infrastructure to a potential glut of office

river, will become one of the

Mori's strategy, he says, is to provide quality office space in a city where such accommodation is still at a premium and likely to remain so until the turn of the century.

"What exists, or is under construction, are good buildines, but they are still inferior according to our standards," he

But construction activity in Shanghai is so intense that it is difficult to predict how the market will evolve. Shanghai's business districts, which straddle the east and west banks of the

Huangpu, boast 300,000 sq m of good quality office space. Within three years that figure will rise to 3m sq m with 60 per cent of the increase in the Pudong area. Oversupply is already becoming a headache for developers and this is reflected in a drop in

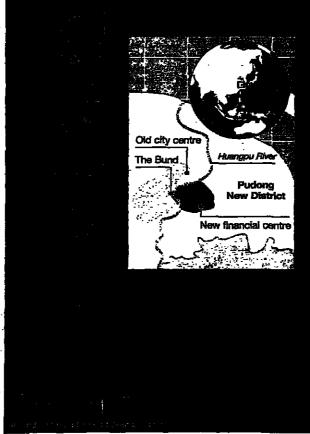
rentals. Mr Yamada said that from a peak in 1994-95 of \$3.20 daily per sq min a premium property like the Shanghai Centre, rents were down to \$2.50 from \$2.80. Mori itself was working on rents of \$1.4 a day for the first of its two buildings in Pudong. The bulk of construction in Pudong is located in the Luiiazui Finance and Trade zone, a 28 sq km area across the river from Shanghai's famous bund, or waterfront embankment, home in pre-revolutionary days to banks and trading houses.

Shanghai's most visible landmark, its telecommunications tower, and other large structures such as the new Shanghai Stock Exchange, have risen rapidly from what was once a no-man's-land of decaying godowns and ship repair yards. According to Mr Yan Nan-powerhouse in east Asia.

Shanghai's high hopes

THE PROPERTY MARKET

Tony Walker on ambitions to create a financial powerhouse



hai, assistent manager of the Shanghai Luliazui Finance and Trade Zone United Development, which is developing the site, some 100 office building are under construction or have been completed.

This involves 4.6m sq m of mixed-use accommodation, of which about 60 per cent is office space, 20 per cent residential, 14 per cent retail, 4 per cent for hotels and 2 per for entertainment. In all, 29 buildings have been completed, or 21 per cent of total floor

By 2010, Shanghai plans to have 20m sq m of office space available on both the east and west banks of the Ruangou. This compares with New York's 29.6m sq m and London's 14.4m sq m. The figure gives some idea of

the city's ambitions to be a

weak demand for completed office space in Pudong, saying we're quite satisfied with developments".

Mr Yan disputed reports of

About 52 per cent of available space had been leased and this was a respectable response given the early stages of Pudong's development and lack of intrastructure, he said. Among Pudong's current probiems is access. Traffic often jams the two bridges and two tunnels connecting the area with Shanghai proper.

By next century seven tunnels and three subway lines are planned linking the east and west banks, with the first of the subway lines to be comnleted by 1998.

Until a subway and additional tunnels are completed, though, congestion will be a drag on development and real

But in their efforts to bolster Pudong as the "dragon head" of the Yangtze river delta and

is sparing little expense. In the Ninth Five Year Plan (1996-2000), Beijing has committed Yn94.9bn (\$11.3bn) to projects that include a power plant, port, subway, railway and international airport: the latter is due for completion by early next century and will make a huge difference to facilitating access to Pudong.

The authorities, who have extended tax holidays and other privileges to foreignfunded enterprises in Pudong, are also encouraging foreign banks either to move their Shanghai headouarters there or establish sub-branches.

The reward for such a move would be a coveted licence to conduct business in local currency. Foreign banks are presently excluded from yuan business throughout China.

r Wang Xiaoguang, vicedirector of the Shanghai Housing and Land Administration Bureau, said his office had the real estate market because of concerns about oversupply. In 1993, for example, the bureau had stopped leasing Now it was watching the office market carefully, but Mr Wang

at this stage.
"There is a decline in the real estate market, but it is not so serious yet," he said. He noted there was a boom in leasing of land for factories. In 1992 only 2 per cent of land leased in Shanghai was for fac-tory construction. In 1995 that figure had risen to 84 per cent.

did not perceive a serious glut

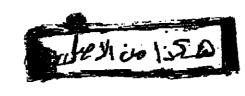
foreign-funded manufacturing Western real estate representatives, involved in marketing office space in Pudong, said the response among foreign com-

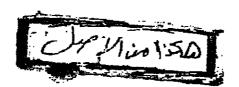
reflecting the city's rapid development as a base for

panies had been positive. Mr Jeremy Seabridge, chief representative of Macquarie Property China, a division of Australia's Macquarie invest ment bank, said Beijing's support for Pudong should "pro-

vide a recipe for success".

Mori, judging by its commitment to Pudong, would agree with this assessment. If nothing else, the planned 460 m 95storey Mori tower, with its sculpted outline and aerodynamic hole to reduce wind drag, will help put Pudong on the international map.





The rise and rise of the garden gnome

Some gardens yield an unlikely crop. Susan Moore reports on the growing market for ornamental statuary

the contents of houses. A shock of the late 1980s was the discovery that crumbly, lichen-covered stone statuary or bronzes streaked with verdigris in half-hidden arbours could be highly important - and phenomenally valuable - works of art.

In 1989 an early 17th-century bronze fig-ure of a dancing faun by Adrien De Vries, court sculptor to the Emperor Rudolf II. which had been consigned to a Sotheby's garden ornament sale in Sussex, was recognised by the firm's sculpture expert. plucked from the sale and sold with a blaze of publicity in London for £6.8m. It was by far the most expensive piece of sculpture ever sold at auction, and is now

in the Getty.

A marble "Fata Morgana" was spotted at a Christie's garden sale at Wrotham Park, bought for a song by dealers Pat and Alex Wengraf, re-attributed to De Vries' master, Giambologna, and re-offered to the world after restoration for several million.

Exceptional pieces seemed to crop up in the most unlikely gardens. In the grounds of a prep school, for instance, I discovered two unknown 18th-century marble Saxon gods made by Rysbrack for Lord Cobham's great garden at Stowe. Miraculously they were spared the obvious fate of most impromptu cricket stumps. The finer of the two now looks less at home in the sculpture court of the V&A.

It was in the boom years of the 1980s, of course, that a large number of country houses changed hands, bringing new owners with the funds to regenerate historic gardens or create new ones.

The number of specialist dealers in antique garden ornament grew. The problem now, according to one of the new men, Baron Sweerts de Landas Wyborgh, who offers "everything for the garden that is not a plant", from the grounds of his Surrey home, is that "the supply of good things has almost completely dried up. I spend more and more of my time hunting, ducking and diving in order to find the kit." His pursuits invariably now lead to

Rirope.
Lindy Seago, of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of the seagon of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of Pimlico-based Seago, in south London, probably the most acaseman and the seagon of Pimlico-based demic of the new specialists, has also noticed a marked change in taste. "Eight or nine years ago our clients wanted marble. After the recession everything changed. People now want less showy pieces in stone or lead. They also want den at Dunsborough Park, Ripley (ring pieces in stone or lead. They also want something that looks as though it has been in their garden forever."

Gone along with the stupendous prices

Kent reunites with Guardian writer

Richard Norton-Taylor (who in 1994 edited

the proceedings of the Scott Inquiry for Kent to stage) for this distillation of the

1945-46 trails at Nuremberg of leading

Where the Scott production, Half the

Picture, was an implicit condemnation of a

certain political mentality, Nuremberg

inevitably raises more fundamental moral

questions, the more so as the trial extracts have been linked to a number

of Responses, playlets addressing the

issues around more recent atrocities in

Haiti, Rwanda and former Yugoslavia. (On

Mondays to Thursday, one of the trio is

staged; on Fridays and Saturdays, all

The three Responses suffer from the

common problem that they necessarily te themselves on the periphery of

Nazis.

s the first of the former Yugosla-

vian war crimes trials com-

mences in The Netherlands, the

Tricycle's artistic director Nicolas

nly in the past 15 years have the contents of gardens come under the same scrutiny as the contents of gardens come supply, are the recurring horror stories of thefts of valuable garden ornaments tales of midnight raids and weighty urns and statues crudely hacked off supporting bases. Immediately after the Rysbrack find was published, for example, the figures disappeared and were only discovered in roadside ditches the following morning thanks to posses of little boys in caps. Presumably they had been left there for dead-of-night collection.

"Too few people knew quite what they had in their garden," says Lindy Seago. "Now there is far greater public awareness, and the number of thefts appears to be diminishing. All the alarm companies now offer systems that can link garden statuary with the house.'

ndoubtedly the greatest threat to garden sculpture and ornament remains the depredations of the elements, particularly where rainwater is polluted by corroding sulphur dioxide. Carved detail looses its crispness, and any water that penetrates a damaged surface and freezes causes fracturing and

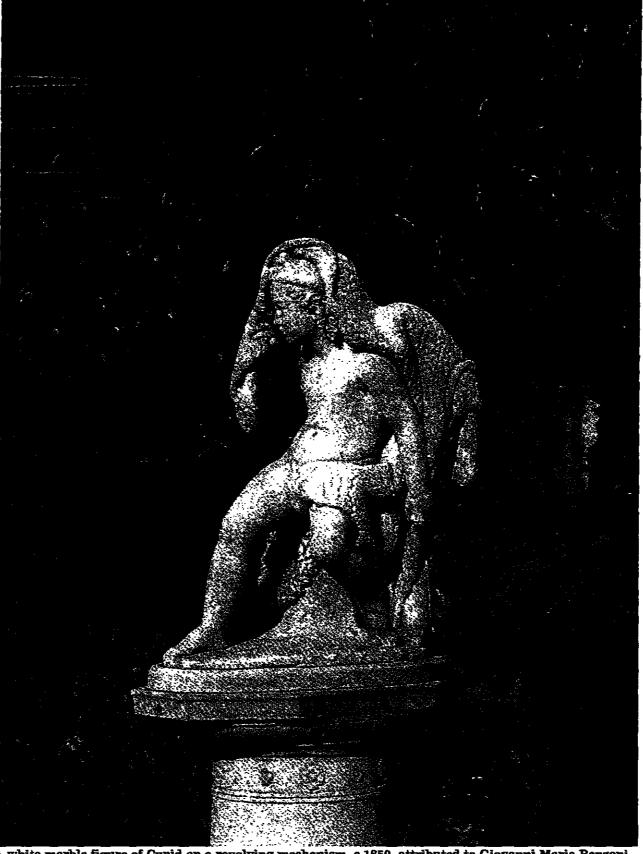
Needless to say, all those encroachments of nature favoured by the romantic gar-dener - lichen, overhanging greenery and creepers - spell doom for antique stone and metalwork. Finer pieces tend to be brought indoors for good or boxed in win-

What could be found today on the market at any one time might range from monumental garden benches from Versailles to up-market gnomes and Victorian faeries. Christie's next month could even supply you with a life-size rhino and gorilla (estimate £10,000-£15,000 each). The company's Philip Belcher says there is continuing popularity for gazebos and temples, good stone and cast-iron urns, particularly pairs, English 18th-century lead figures and pieces in Coade stone, a fired artificial stone renowned for the exceptionally high quality of its detailing. Seago, for instance, has most things from a 19th-century stone lion fountain mask for £350 to a 5ft high version of the Borghese Centaur attributed to Bartolo-meo Cavaceppi, the 18th-century Italian

Grosvenor House next month. From Dolf Sweerts de Landas' 01483-225366 for an appointment) one could pick up a 19th-century cast-iron urn, a late 17th- or early 18th-century limestone

sculptor better known for his restoration

of antiquities. They will be on show at



A white marble figure of Cupid on a revolving mechanism, c.1850, attributed to Giovanni Maria Benzoni

grotto fountain, or a set of French limestone busts of the Four Seasons for £130,000. He is also exhibiting at Olympia

Oldest of all the London dealers is Crowthers of Sion Lodge. Here they offer anything from a pair of Japanese stone door gods at £18,000 to massive 19th-century stone lions after the magnificent

"Sleeping and Waking Lions" carved by Canova for Pope Clement XIII's monument in St Peter's. Perhaps FT readers might prefer their 18th-century German sandstone Mercury in his guise as God of Com-

On May 21 and 22, Sotheby's Sussex tempt browsers with a set of four Vicenza stone faun musicians (estimate £3,000-

Chelsea on the May 23 is a kneeling lead blackamoor. Attributed to the workshop of John Van Nost the Younger, he bears a bronze sundial and an estimate of £8,000-

5,000). Last year's cheapest lot was a mod-

ern composition stone bust of Shake-

speare, after Scheemakers, a snip at £46.

Highlight of the garden sale at Bonhams

Wheatley, whose dispassionate account of his role in dispatching a million and a half souls would, the defence counsel hoped,

Theatre/Ian Shuttleworth

Responses to Nuremberg

rather than show.

Although Femi Osofisan constructs an individual confrontation between a Hutu and a Tutsi in Rwanda, and Goran Stefanovski leavens his Ex-Yu with cynical black humour, the scenes bring little new either to the big issues or the human picture within them. Awful as it is to admit, they even induce a kind of morality fatigue. An audience grown habituated to living with what German philosopher Karl Jaspers (in the compendious programme notes) calls metaphysical guilt" will not have that feeling sharpened any more by the

It seemed at first that the effect of pres-

monstrous events and so, contrary to the basic precept of drama, they must tell updates would be less a case of closing the stable door after the horse had been shot than of reminiscing about the days when the stable even had a door. However, Norton-Taylor's editing and

Kent's staging have created a piece which is both dramatic and thought-provoking. The trials are staged complete with stenographers and translators, with individuals unobtrusively entering and leaving Saul Radomsky's set as they would over a prolonged set of hearings. Kent has woven a detailed background fabric which finely complements the adversarial exchanges between prosecutors and defendants.

Norton-Taylor has selected four of the 22 accused: Hermann Goering (Michael Coch-

rane), against whose contemptuous self-confidence the grandstanding bluster of American prosecutor Jackson founders; Field-Marshal Wilhelm Keitel (William Hoyland), the epitome of a noble Prussian general whose code of obedience proves inadequate when enlisted in the service of such evil; the Nazi party philosopher Alfred Rosenberg (Jeremy Clyde), whose desiccated intellectualism springs into life in defence of his odious theories; and mInister of armaments Albert Speer (Michael Culver), who seems seized by a compulsion to confess and atone for his part in the Nazi machinery.

In addition, the testimony is included of Auschwitz commandant Rudolf Höss, played by a wonderfully affectless Thomas lessen the defendants' offences in compari-

Norton Taylor also falls prey to the trap of recounting at length his decision to let British chief prosecutor Sir Hartley Shawcross recite an account of a mass shooting in the Ukraine. However, it is an inspired move to close not with the verdicts and sentencing (which are simply projected onto a screen), but with Speer's final personal statement to the tribunal - the chillingly prophetic observation that a Hitler could succeed in propagating his schemes because of technological developments such as telecommunications and broadcast media, ending with the words, "May God protect Germany and the culture of the west." As the Responses make clear, He

At the Tricycle Theatre, London NW6 until June 8 (0171 328 1000)

Ballet

Wildor makes Anna her own

The central truth of Anastasia is not that Anna Anderson was Anastasia. Kenneth MacMillan knew that she was not the Grand Duchess, and it was one of the odder tri-umphs of his original Berlin version, and of Lynn Seymonr's incarnation of the title role, that the audience believed she was Anastasia. (A theatre full of Romanovs would have believed in Seymour at curtain-fall as she circled the stage on her

The ballet's belief - and it was one stressed in the production made for Covent Garden in 1971 - was that identity is fragile, that in an alien and alienating world, a Freudian world, the quest for self-understanding can be a terrifying thing. The two "real" acts that open the 1971 staging are what Anna Anderson should have remembered. They explain and justify what haunts her in the Berlin hospital scene. They are among the few happy dreams she might have had if she were truly Anastasia.

It is this question of memory that is so well suggested in the new staging, which I saw again on Tuesday night when Sarah Wildor appeared as Anastasia. Bob Crowley's designs are like hallucinations placed within the grey and enclosing walls of Anna's memory which we see in Act 3. Understanding of what happens must be of dream-like sequences. Childhood recollections are often of unchanging states: radiantly still summer days; the cliché of an endlessly white Christmas. Hence the almost becalmed beauty of MacMillan's first act, dominated by the Imperial family's emotional closeness and simple pleasures, shot through with those darker intimations of the Tsarevich's illness and Rasputin's menace.

To suggest this, and to show off the Royal Ballet as an ensemble, MacMillan produced a flood of classical invention for the Tsar's daughters and for the officers on board the Imperial yacht. The dance - with its combined bravura and lyricism is an idealised view of behaviour: Anastasia's world as a place of physical clarity and brilliance. Amid the panache of the second act court ball. Anastasia is observer more than player: memory has become uneasy, and the young woman is confusedly aware that her world is more fraught. MacMillan is leading us towards the Berlin scene by subtle means: we sense causes for Anna Anderson's dis-

t was greatly to Sarah Wildor's credit that her first appearance as Anastasia on Tuesday should have so acutely caught these matters. That she is a most gifted dance-actress we have known for several years: her first Juliet marked her as an intuitive MacMillan artist. The child Anastasia she presented with entire conviction and delicately stated feeling. The young woman of Act 2 was equally well done as she questioned life, and suddenly questioned the relationships within her family - her dancing throughout these acts effortlessly expressive. But it was as Anna Anderson that we saw her qualities at full stretch. Everything in the choreography still shouts of Lynn Seymour's torso, of her legs and feet, her astonishing variety of pace and dynamic. Sarah Wildor buries herself in the text - movement seems absolutely natural, true, uncalculated and finds Anna Anderson. It is her Anna. It is MacMillan's Anna, and it is a tremendous debut.

The surrounding interpretations seemed to me, as on the first night, largely splendid. Genesia Rosato was fine-drawn Tsarina, and the Grand Duchesses in both casts are beautiful in manner as in dancing. I do not think that Rasputin has yet been given sufficient weight in performance: he was darker and more brooding in the earlier staging. And, as a fashion note, it would have been wholly unlikely for Mathilde Kshessinskaya - ballerina assoluta and lover of jewels - to have appeared in performance wearing what looks like a piece of brown string laden with a single cairngorm round her neck. A triple row of large and determinedly real diamonds her was minimum outfit for the stage: her several Grand Ducal admirers made sure of that!

Clement Crisp

INTERNATIONAL

AMSTERDAM

Concertgebouw Tel: 31-20-5730573 Mederlands Philharmonisch Attest with conductor Ken-Ichiro Kotsyashi and planist Sergey Pastikevich perform Liszt's Piano Concerto No.1 and Tchaikovsky's Manifed Symphony; 8.15pm; May 13, 15, 17

BERLIN OPERA

CONCERT

tsoper unter den Linden Tel: 49-30-2082861 The Rosenkavalier: by R. Strauss.

Aducted by Donald Runnicles and

Informed by the Staatsoper unter dan Linden. Soloists include Tina Meng, Gunter von Kannen and Iris

BIRMINGHAM

CONCERT Tel: 44-121-2002000 The airmingham Schools

表教中

Symphony Orchestra: with conductor Peter Bridle and violinist Tasmin Little perform works by Berlioz, Sibelius and Dvorák; 7pm; May 12

■ CHICAGO THEATRE

The Goodman Theatre Tel: 1-312-443-3800 A Touch of the Poet: by Eugene O'Neill, Directed by Robert Falls. The cast includes Pameia Payton-Wright, Jenny Bacon and Brian Dennehy; Tue - Thu, Sun 7.30pm, Fri, Sat 8pm, Thu, Sat, Sun also 2pm; to Jun 8

■ COLOGNE

CONCERT Kölner Philharmonle Tel: 49-221-2040820 Kölner Philharmoniker: with conductor James Conlon, pianist Alfred Brendel and the Girzenich-Orchester perform R. Schumann's Symphony No.3 in E flat major, Op.97 and Piano Concerto in A minor, Op.54; 8pm;

May 11 OPERA Opernhaus Tel: 49-221-2218240 Serse: by Handel. Conducted by Graeme Jenkins and performed by the Oper Köln. Soloists include Jeanne Piland, Brian Asawa and Nina Stemme; 7pm; May 11

■ COPENHAGEN

FESTIVAL Det Kongelige Teater Tel: 45-33 14 10 02 International Ballet Festival: featuring performances by the

Roland Petit Ballet, Maurice Béjart Ballet, Kirov Ballet, Royal Ballet and the Royal Danish Ballet; 8pm; from May 13 to May 31

■ LONDON CONCERT

Barbican Hall Tel: 44-171-6388891 The London Symphony Orchestra: with conductor Mstislav Rostropovich and violinist Maxim Vengerov perform works by Britten, Tchaikovsky and Prokofiev; 7.30pm;

Purcell Room Tel: 44-171-9604242 François Le Roux: performance by the bantone, accompanied by violinist Stephanie Gonley, cellist Jean-Guihen Queyras and pianist Roger Vignoles. The programme includes Debussy's Trois Chansons de France, Cello Sonata and Trois Ballades de François Villon; 7.30pm;

Royal Festival Hall Tel: 44-171-9604242 The BBC Symphony Orchestra: with conductor Tadaaki Otaka and planist Minoru Nojima perform works

by Lyadov, Matsumura and

DANCE Royal Opera House - Covent Garden Tel: 44-171-2129234 Anastasia: a choreography by Kenneth MacMillan to music by Tchaikovsky and Martinu, performed by The Royal Ballet. Soloists include Viviana Durante, Miyako Yoshida and Bruce Sansom: 7.30pm, May 13, 15 (also 2.30pm), 17

Rachmaninvov; 7.30pm; May 11

MADRID

EXHIBITION Museo Nacional del Prado

Tel: 34-1-4202836 Gova: retrospective exhibition devoted to the Spanish painter Francisco de Goya (1746-1828), in celebration of the 250th anniversary of the artist's birth; to Jun 2

MILAN CONCERT Teatro alla Scala di Milano

Tel: 39-2-72003744 Nathalie Stutzmann: accompanied by planist Inger Soedergren. The mezzo-soprano performs songs by Schubert, R. Schumann and Brahms; 8pm; May

NEW YORK

EXHIBITION Guggenheim Museum Soho Tel: 1-212-423-3840 Abstraction in the Twentieth Century: Total Risk, Freedom, Discipline: landmark exhibition to examine abstract art from the beginning of the century to the present. On show are works ranging from abstract paintings made as early as 1912 by Kandinsky, vich and Mondrian to work made by Long and Stella on the occasion of the exhibition; to May

Whitney Museum of American Art Tel: 1-212-570-3600 Kienholz: A Retrospective: this exhibition presents the full range of Kienholz's own work and his 20 years of collaboration with his wife and partner, Nancy Reddin Klenholz. More than 100 pieces, ranging from intimate objects to house-scale environments, are displayed; to Jun

THEATRE Joseph Papp Public Theatre Tel: 1-212-539-8500

 The Striker: by Caryl Churchill.
Directed by Mark Wing-Davey. The cast includes April Armstrong, Marc Calamia, Tomin Cummings and Jodi Melnick; Tue - Sat 8pm, Sun 7pm, Sat, Sun also 2pm; from May 12 to May 26

PARIS CONCERT

Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50 Alban Berg Quartet: perform

Mozart's String Quartet No.16 in E flat, K.428 and String Quartet No.19 in C, K465 (Dissonanzen); 11am; May 12 EXHIBITION

Galeries Nationales du Grand Palais Tel: 33-1 44 13 17 17 Corot: retrospective exhibition devoted to the work of this French painter of landscape and portraits (1796-1875); to May 27

■ ROME CONCERT

Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064 Orchestra dell'Accademia di Santa Cecilla: with conductor Daniele Gatti, planist Andras Schiff and harpist Claudia Antonelli perform works by Brahms and Bussotti; 5.30pm; May 12, 13 (9pm), 14 (7.30pm)

■ THE HAGUE EXHIBITION

Mauritshuis Tel: 31-70-3023456 Johannes Vermeer: the first

presentation ever devoted solely to the art of the Dutch painter Johannes Vermeer (1632-1675) presents 21 of the existing 35 works known to have been painted by this master who lived and worked in Delft; to Jun 9

VIENNA OPERA

Wiener Staatsoper Tel: 43-1-514442960

 Les Contes d'Hoffmann: by Offenbach. Conducted by Jun Märki and performed by the Wiener Staatsoper, Soloists include Natalie Dessay, Soile Isokoski, Alain Fondary and Jerry Hadley; 6.30pm; May 11, 14 (7pm), 17 (6pm)

■ WASHINGTON DANCE

Opera House Tel: 1-202-416-4600 Dance Theatre of Harlem: perform the choreographies Pas de Dix by Petipa, Fall River Legend by DeMille, Wingsborne by Houlton, and Dougla by Holden; 8pm; May 10, 11 (also 2pm), 12 (2pm) EXHIBITION National Gallery of Art

Tel: 1-202-7374215 Jan Steen: Painter and Storyteller: this exhibition of approximately 45 paintings by Jan Steen examines the range of subjects and styles in this Dutch artist's body of work; to Aug 18

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CNBC: 09.00

Squawk Box 10.00

European Money Wheel

18.00 Financial Times Business Tonight



Philip Stephens

In a spending spin

If UK taxes are to be held stable, let alone cut, and borrowing is to be reduced, there are no easy answers

If you have a passing interest in the outcome of the general election, watch carefully during the next few months the annual cabinet struggle over public spending. Tory divisions over Europe apart, this uniquely British ritual will define the ground on which the election is fought. It may also provide important clues as to the timing.

Any day now a familiar spate of stories will elbow their way on to the front pages. You can guess the headlines: Hospitals face axe in new spending squeeze; Treasury to scrap maternity pay; Road-building slashed (again) to pay for tax cuts; Tory Right seeks bar on overseas aid. Take your pick.

It is all part of the game. Each year the Treasury solemply declares that prudence requires the public purse strings to be pulled tighter still. Rach year the powerful Whitehall spending baronies retort that politics, the national interest, or just about anything they can think of, demands that the strings are loosened. As the battle spills from the corridors of power, letters are leaked, journalists briefed, confidences betrayed.

There is always as much form as substance, more posturing than principle, in this seasonal joust. Come the autumn, the buckets of synthetic blood are sponged from ministerial carpets. Fiscal rectitude is somehow squared with pork-barrel politics. Miraculously, by the time Kenneth Clarke stands up to deliver his November budge everyone is a winner. And, hey presto, there is room after all for tax cuts.

I suppose this is a touch unfair to a process which has dominated the life of British governments ever since James Callaghan was obliged to call in the International Monetary Fund in 1976. Just a touch. John Major won the 1992 general election on the back of a public spending spree. The voters have since paid for its profligacy with the biggest tax increases in peacetime. One of

those Majorite lines, however, has now been drawn. If you turn a blind eve to the odd off-balance sheet wheeze, the government has re-established a semblance of grip. There are better reasons,

though, to pay close heed to what happens this year. This particular set of negotiations is the last before the election. It will mark out the campaign dividing lines between Conservatives and Labour on the appropriate size and role of the state. It will also shape the inheritance of the next gov-ernment, whether it is led by Mr Major or by Tony Blair.

But this year Mr Clarke may not be able to wait until November to deliver his budget. So, lest the prime minister is forced to fight the election this autumn rather than next spring, the Treasury has changed the rules of the game for the negotiations. Do not misunderstand. If they can avoid it, ministers have no intention of turning in their Whitehall limos before 1997. But as one of his cabinet colleagues remarked this week, Mr Major has not exactly had much luck of late. Plans must

be laid for all contingencies. Understandably, the Treasury wants to minimise the ritual combat. It knows it cannot prevent the embaras headlines. But it can limit the damage by reducing the amount of acrimonious correspondence between William

Most of the Treasury's cash reserve has been earmarked for the slaughtering of mad cows and to finance a £1bn social security

overrun

Waldegrave, the chief secretary, and his spending colleagues. The word has gone out that as little as possible should be put down on paper. The usual formal "bidding" letters to kick off the process - for long the source of some of the juiciest leaks - have been scrapped.

This year Mr Waldegrave will not send each of his colleagues a letter demanding illustrative cuts in their budgets of 5 or 10 per cent. Nor will be accept missives from them demanding an extra £5bn or so to keep the voters happy. Instead, the cash budgets already pencilled in for this year and next will be taken as the assumed ceiling for each department.

Spending ministers will be told that most of the Treasurv's cash reserve has already been earmarked to pay for the slaughtering of mad cows and to finance a fibn overrum in social security spending. So, more money for priority areas such as health, education and the police will have to be paid for by savings elsewhere. And if they really do want tax cuts, the spending totals will have

Even without a looming election this would be a more sensible way of doing business. Mr Waldegrave concluded as much last year when he received bids from the spending baronies which would have added an extra £17bn to the £260bn total. At the end of the day there were no increases. Instead the Treasury actually cut spending by several billion. A hell of a lot of ministerial energy was

to be lowered even further.

wasted in the proces But it not escaped the notice of his cabinet colleagues that, in simplifying and telescoping the process, the chief secretary has opened up the option of an early budget, say in late

September or October. None of this will make the actual spending decisions any easier. For all the idle chatter on the Tory Right about taking the axe to Whitehall, there are few obvious options. The existing plans already envisage a real cut of 1 per cent in overall spending this year and increases of less than 0.5 per cent during the following two years. The Conservatives have never before delivered so fierce a squeeze. But if they want tax cuts, they will have to draw the poose tighter still. Public borrowing is overshoot ing. So the Treasury will insist that for every filbn in tax cuts, spending must be

would be painful.
No doubt, Mr Blair's party will watch all this with deliberate glee. Old Labour will issue apocalyptic predictions of an end of the welfare state. Those who count themselves New Labour will speak in grandiose terms about how they would reshape priorities, or find convenient billions here to dispense more effectively there

reduced by £2bn. That really

Chris Smith, the shadow social security secretary, took a step along that road earlier this week in what was billed as a watershed speech on the future of the welfare state. Some foresaw in Mr Smith's words a radical rewriting of past policy. I shall believe it when I see it. Of course it is important that Labour now seems to understand that simply dishing out cash to the poor does not add up to a sensible welfare policy. It is real opportunities, and above all iob opportunities, that count.

But, pace Mr Blair, there is nothing New about the notion that those in receipt of benefits should acknowledge duties as well as rights. And the recent row in the shadow cabinet about child benefit reminded us that, when it comes to hard decisions. Labour is a good deal stronger in principle than practice.

The reality is that if taxes are to be held stable, let alone cut, and borrowing is to be reduced, there are no easy answers. And there is precious little room in the short to medium-term to shift the balance of spending priorities October or April, the general election will not change that.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HI

We are keen to socourage letters from readers around the world. Letters may be fared to 144, 17, 27, 5338 (please set in to fine), a mail: letters editor@fi.com Translation may be available for letters written in the main international language.

greater commitment to work

From Mr Richard L. McDowell. Sir, Richard Donkin's review of Michael Dunkerley's yet to be released book indicates that he believes Dunkerley when he projects a future where people enjoy abundance and do not work in traditional terms (Recruitment: "Paradise lost and the Protestant work ethic", May 3). However, I believe that we are confronted with just the opposite need in our advanced technological

societies. We need to extend our commitment to work, rather than withdraw it. We already have strong, bright people walking away from work (we call it retirement) when we have apparently intractable social difficulties as well as "real" problems such as potholes and out-of-date organisations that plague us all. If that is not enough, we have environmental work to be done that we cannot describe

adequately, let alone manage. We need more robots and more work. I would think we need to align our incentives to keep more people working on problems that are all too untended. Fifty years isn't going to be enough to get the work done we know about, let alone that which will come along during that period.

Richard L. McDowell, School of Business and Economics, Chapman University, 883 N. Glassell, Orange, California 92866-1032, US

Need is for a Russia: a behemoth going own way assume that post-Soviet Russia From Mr Stefan Sullivan. was some kind of ideological

Sir, One may agree with much of Martin Wolf's timely pre-election post mortem on Russia's transition to democracy ("How the west failed Russia", May 7) but the problem itself is wrongly posed. Russia was never the west's to fail.

On the one hand, western assistance was too unco-ordinated, incompetent and self-interested ever to do much good, at least, on the receiving end. Besides the obvious point that many consultants hung around like medical students who'd been taught the general cure for a disease but had no understanding of their patient's medical history, the principal mistake was to

and economic El Dorado to be occupied by outsiders once the party lost control. In fact, from the beginning, the fate of Russia, good or bad, was determined by the Russians themselves.

From the local industrial sses who jealously guarded their privileged access to under-priced assets to the sleek Moscow brokers, computer hacks and domestic appliance distributors who found trading with the west useful only because it offered higher mark-ups, the Russians have viewed foreign assistance more as a free hand-out for personal enrichment, rather than some blessing they should shower with gratitude.

True macrosconomic stabilisation, democratic transparency and capacity building are necessary markers along the path of transition. But the real problem is that Russia, unlike Poland or the Czech Republic, has never seen itself as a developing country. or a grateful junior member of a western club. It is a Eurasian behemoth that prefers to do things its way, no matter how Byzantine, buil-headed and downright barbaric this way often appears.

With or without the much-feared communist resurgence, Russia now looks set to go its own way.

Stefan Sullivan. 66 Ave. de New York. 75016 Paris, France

BSE: missing link needs to be found

From Mr Björn Fridfinnsson. Sir, The suspected precursor of the BSE, or mad cow disease - scrapie in sheep - reached Iceland in 1878 by the importation of an English ram from Denmark. The disease became prevalent in a limited area of Iceland for the next 70 years, but it was kept under control by stamping out flocks which contracted scrapie as soon as the disease was discovered.

Since the 1950s, outbreaks have occurred outside the original area and have caused considerable economic loss to farmers, but the disease has been kept under control by slaughtering infected flocks and keeping the farm or the farming area without sheep for some years, followed by thorough cleaning and disinfecting of its

premises before re-stocking. Attempts to eradicate the disease completely from Iceland have, however, not been successful, probably due to an unknown carrier of the disease between animals. The University of Iceland's

institute for experimental

pathology at Keldur has for decades carried out extensive research on scrapie in co-operation with other research bodies. Recent findings indicate that the missing link might have been identified as being hay mites. Another recent development in this field,

development in the US of a scraple test, Press reports about BSE reveal that there are serious deficiencies in the knowledge

according to Icelandic press

reports, is a possible

of the disease, how it spread, between animals and what kind of measures will suffice to eradicate It.

If the Icelandic scrapie experience is applicable to BSE in the UK, there might be an unknown carrier spreading the disease between animals and a large-scale stamping out of herds might not be sufficient. A crash programme to develop a BSE test and selective culling based on the application of such a test. plus an extensive search of

possible carriers of the disease between animals, seems to be necessary if the disease is to be brought under control in the

Björn Fridfinnsson, Het Veideke 13. 1970 Wezembeek-Oppen Belgium

Clearly, the old boys' network is still alive and well.

From Ms Judith Hoyles. Sir, I note than many of your readers (Letters, May 7) reacted strongly to Martin Wolf's piece ("Jobs for the boys", April 30). Maybe I will therefore not be the only

reader to wonder why I am being informed that BA's marketing director, who has just resigned ("Head of marketing quits BA", May 6), "played football for England schoolboys and, later, Oxford

United"? The old boys' network is obviously still alive

to promote equality, which

netball teams senior women

and well at the FT. Please do not take this as a desire to be told, in an attempt executives might have played

Judith Hoyles, Guillermo Prioto 04, 06470 Mexico D.F., Mexico





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FINANCIAL

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Europa · Otto Lambsdorff

Four more years at the helm

It is essential that Chancellor Kohl stays in office to see through his economic package



Two weeks ago, Jochen Thies argued in this column that it was time for Chancellor Helmut Kohl to step down from office on the

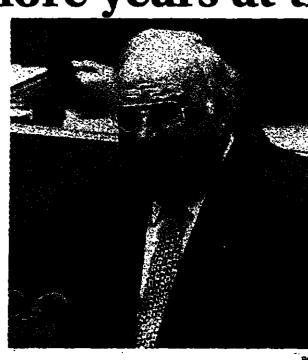
grounds that his domination of the political scene was not good for German democracy. In the past. I have had my differences with Mr Kohl and publicly criticised his leadership - most recently because he hesitated far too long before tackling Germany's economic problems. But now he bas announced a package of mea-sures to deal with those problems, I believe it is essential for Germany that Mr Kohl stays at the helm for at least another four years to see them

through. Stage managing German unification has already secured a place in the history books for Mr Kohl - together with Hans-Dietrich Genscher, foreign minister at the time. In the post-unification years, he has focused on prominent foreign policy issues which tend to promise little bother and a good press. Like other states-men, he was convinced that taking the spotlight on the international stage would make problems at home appear small and insignificant.

But the German economy is now so feeble, the tax burden so oppressive and the number of jobless so great that not even the chancellor can turn a blind eye to it. The government has scaled down its estimate for growth in gross domestic product for the first half of 1996 to 0.75 per cent. Last year, it forecast a rise of more than 2 per cent.

Unemployment has risen steadily, with about 4.5m now out of work - roughly 10 per cent of the workforce. Germany's budget deficit for 1996 will again fall short of the Maastricht target of 3 per cent of GDP for entry into economic and monetary union.

Mr Kohl's package of economic measures will cut public spending at federal and state level by about DM25hn (\$16bn).



Helmut Kohl: treats his parliamentary opponents with scorn

encourage job creation and reform the social security system, with special emphasis on curbing pension expenditure. There are also plans for a massive reduction in the excessively heavy burden of taxes and social contributions and a radical simplification of the tax system. These are all necessary to make Germany better able to compete with other indus-trial economies. Though unpopular, the pack-

age is urgently needed. It has provoked outcries from the Social Democratic opposition and the unions, but it is something that will ultimately have to be accepted either in its present form or in a similar one. If it is defeated by pressure from those fearing progress and reform, Germany be unable to keep up with the leading world economies. At home, rising unemployment could pose a considerable threat to Germany's democratic stability.

Chancellur Kohl has recognised these dangers and adopted the correct response with his package - although pretty late in the day. Economy, moderation and going without are virtues that Germans find difficult to accept. People have grown used to steady economic growth prosperity and - in some instances - lavish standards in social security. Spending on social

benefits accounts for a third of the federal budget: on average, social security costs about

DM12,000 a year per head. Yet any proposal to make even the slightest cut in these social benefits provokes a collective cry of outrage. The numerous interest groups in Germany are as thin-skinned as the princess in the fairy tale who can detect a pea underneath the 10 mattresses on her bed. Their principal task is to make sure everything stays the way it is - even though the world is changing fast.
I believe Mr Kohl is the right

man to see the package through He knows that the next federal elections in 1998 will not be decided on foreignpolicy issues. What is really important for victory is lower taxes and fewer unemployed. He is also aware that the governing coalition of the Christian Democratic Union, its Bavarian sister party the Christian Social Union and the liberal Free Democratic party has the best chance of remaining in office if he remains candidate for the chancellorship. Mr Kohl has not yet said

whether he intends to run for another term. He is, of course, much too shrewd for that. He wants to be asked.

Only when cries of "Play it again, Helmuti" are heard sufficiently loudly from the ranks of his party will he set aside

his apparent reservations and, as if prompted only by selflessness, enter the fray once more. And who else could do it? The question of a successor is still wide open. Apart from Mr Kohl there is scarcely any conservative politician who has the status required of a future chancellor. Among other things, this may be because nothing much can flourish beneath a mighty oak. When the time finally comes for a new generation to take over in the Christian Democrats, we can expect to see plenty of excitement and probably a good deal of infighting as well. But until that time, there can be no doubt about the author-

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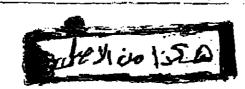
ity wielded by Mr Kohl. It is true that he rules the cabinet with an iron hand, bestowing favours on those he considers deserve them and let-ting others feel the weight of his wrath. And 14 years in office have evidently diminished his ability to take a detached view of his own actions - criticism is not welcome and he is said to be less and less amenable to constructive advice. In parliament, he treats his opponents with vitriolic scorn or drives them to desperation with a pointed show of impassiveness.

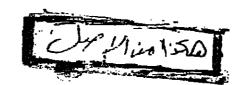
Yet although the mien of a gracious monarch which Mr Kohl occasionally adopts may be hard to take, he remains one of the last of the great leaders still active in international politics. So why should he now leave the stage without any successor in his own party who could guarantee to match his political achievements?

The governing coalition has made errors, some of them serious, in the past. But the parliamentary opposition put up by the Social Democrats and the Greens is so feeble that their performance in government, were they allowed to take office, would presumably be even more miserable. The only government with

sufficient strength to master the challenges confronting Germany is the present coelition. And Helmut Kohl knows, 20, that staying on until 2000 before retiring would be absolutely ideal for the history

The author is a member of the Bundestog, a former economics minister and leader of the Free Democratic Party between 1988





FINANCIAL TIMES

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MFN is a must for China

Once a year the US has to decide whether to drop the economic equivalent of a nuclear bomb on its trade with China. The decision on whether to renew China's most-favoured nation status may sound boringly technical, but it is not. The damage done by failure to renew MFN treatment would be incalculable. For that reason, most ensible people assume it cannot happen. The worry is that it may. Now China's exports enjoy the

same tariff treatment as that accorded to other US trade partners. If China were to lose MFN status, however, US tariffs against its experts would become prohibitively high. Failure to renew MFN would be the commercial equivalent of open war. This would have devastating consequences for hina, Hong Kong, foreign investors in China, and, not least, rela-tions between the US and China. It would be particularly damaging to the position of those Chinese who favour international engagement and economic opening, while strengthening that of their more inward-looking and reactionary counterparts.

The administration understands these dangers. It is overwhelmingly likely therefore that, on or before June 4, it will recommend renewal of MFN. The risk, however, is not just that Congress may override President Clinton's decision, but that it may possess the two-thirds majority required to overturn the president's subsequent veto.

The reasons for this are obvious. Newt Gingrich may have come out in favour of renewing MFN, as, happily, did Senator Robert Dole, the Republican presidential candidate, in forthright terms yester-day. But China is in the dog house over its bullying of Taiwan. human rights violations and trade surplus with the US. Immediately contentious is China's alleged failure to implement agreements on

protection of copyright and accord market access to foreign produc ers of films, recordings, software and books which propose joint

ventures with Chinese plants.
US irritation is understandable But this could not excuse a blunder as serious as failure to renew MFN. A weapon so destructive and indiscriminate must not be used. The US must, instead. employ far more targeted instruments, which will succeed in making the necessary points, without sacrificing this hugely important bilateral relationship.

What is needed is, first, to differentiate trade complaints from other concerns, such as human rights. Commercial policy is not an effective instrument for dealing with wider worries. It should instead, be targeted on trade, with a view to strengthening those forces within China attempting to open up the economy and establish the rule of law.

The second need is to approach trade in a more systematic way. This is why successful completion of the negotiations on Chinese membership of the World Trade Organisation is so important, since that would commit China to explicit steps towards opening up the economy. Furthermore, complaints against Chinese practices could then be made within the context of the WTO and be, correspondingly, much less humiliating for China to accept.

The danger is that US commer cial relations with China will remain stuck in the annual cycle over MFN renewal. Alternatively, the focus of its efforts may be too narrowly on disputes in specific industries or, less justifiably still, on redressing the bilateral trade deficit. The overriding aim should be, instead, to cajole a reforming China into taking its position as a responsible great power. Everything else misses the

US and Israel

uncritical support for Israeli "normalised" relations with Israel. has compromised its role as "honest broker" between Jew and Arab. It is compromising Washington's Arab allies like Egypt, Jordan and Saudi Arabia, and could well compromise Israel's own strategic interests in the region.

With Israeli prime minister

Shimon Peres facing a tight elec-

tion this month, and President Clinton up for re-election in November, both men seem to have lost sight of their long-term aims in the Middle East peace process.

Mr Clinton has sought to make Israelis believe they can have security and peace with their Arab neighbours. Mr Peres has insisted on a "new Middle East" and "normalisation". with peace between peoples as well as governments. The strategy is right, the

tactics increasingly are wrong. For 17 days last month, Israel bombarded Lebanese people and infrastructure to deal with Hizbollah guerrillas. For two months it has blockaded the Palestinian territories to stop Hamas suicide bombers. These actions, supported the US, have done little except Israeli assault on Lebanon.

The Clinton administration's turn Arab public opinion against

That hostility has grown after this week's UN report questioning Israel's assertion that its artillery massacre of over 100 Lebanese refugees at Qana on April 18 was an accident. Instead of recognising, like Britain, that Israel has a case to answer, US officials have blustered against the UN.

Nor does it serve Israel's interests to collude in US efforts to freeze France and Russia out of last month's "shuttle diplomacy" to end the Lebanese crisis. France has access to Iran, and Russia to Iraq, the two countries Israel sees as strategic threats. France, moreover, is now the toast of Arab leaders nervous at being too identified with Washington.

Fourteen Arab leaders went to the unprecedented March "antiterror" summit in Sharm el-Sheikh, hastily assembled by Mr Clinton to shore up Mr Peres after the Hamas suicide bombings in Israel. Their intention was to say that terror should not be allowed to dictate the Middle East agenda. It was not to license a US-backed

Design matters

There are few artists, or artisans, whose work is deemed worthy of one centenary exhibition at the Victoria & Albert Museum in London; yet William Morris, the 19th century poet, painter, furniture-maker and socialist reformer, has had the honour of two. The first commemorated the hundredth anniversary of his birth in 1834. and the second, which opened this week, that of his death in 1896.

The wealth of affection and admiration for Morris is unsurprising. He is by far the most famous and arguably most popular designer that Britain has produced. The hand-crafted wooden furniture he made for his own home was snapped up by his contemporaries; and the vision of Morris's retreat from the urban industrial society he reviled to his rural idyll at Kelmscott Manor in Oxfordshire inspired the next generation of artists and intellectuals to embrace his ideals in the Arts and Crafts Movement. Even today, swathes of Britain are wallpapered and curtained by Morris's depic-

tions of flora and fauna. If all Morrismania amounted to was the engaging spectacle of a bearded behemian with a flair for flowery patterns, his influence would be wholly benevolent. He could also be hailed as a founding father of the "heritage business" of Liberty prints, Laura Ashley smocks, admission tickets to stately homes and other totems of traditionalism, which is a signifi- healthy industrial economy.

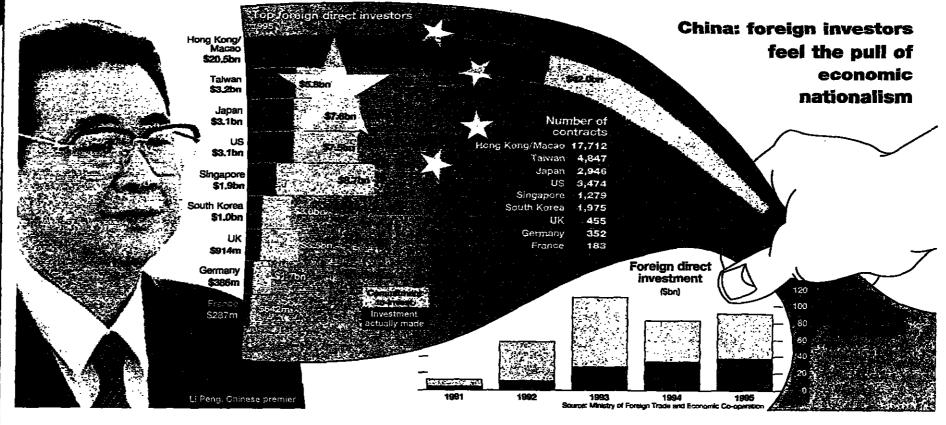
cant source of exports and invisible earnings. Yet there is another side to the

William Morris legacy. His craft ideals and vehement opposition to industrialisation contributed to the creation of a cultural climate in Britain which has run counter not only to manufacturing indus-

try, but to modernism.
It would be absurd to hold either Morris, or his mentor, John Ruskin, responsible for the decline of the UK's manufacturing sector. But their theories lent intellectual credence to the view that "trade was a vulgar pursuit, an idea also reflected in the way that grander banks declined loans to manufacturers in the last century, and bright graduates eschewed indus-

trial careers in this one. The naturalistic imagery in Morris's designs have helped foster an aesthetic climate in which a nostalgic view of the rural past is favoured over a modernist vision. Hence British houses tend to be filled with stripped pine and prints, rather than contemporary furniture. And the talents of the industrial design graduates of the Royal College of Art, a few streets away from the Victoria and Albert Museum, have been put to com-mercial use by German and Japanese companies, rather than those that remain in the UK. It is right to take pleasure in Morris's work, so long as we recognise that design plays a central role in a

COMMENT & ANALYSIS



Far less of an easy ride

An unsettled political climate means China may be a more difficult place to invest for some time, say Tony Walker and John Ridding

oreign business in China has experienced a rollercoaster existence since Beijing tentatively opened its doors in 1978. The past five years have seen a flood of new investment, but investors are now facing a less welcoming response from the authorities.

Some tax benefits for foreign investors are being phased out and Beijing is becoming choosier about the categories of investment it welcomes. Chinese enterprises are also more selective about prospective foreign partners and less prepared to give them control of joint enter-

The uneasy political climate, created by the protracted political transition to a new generation of leaders in place of the ailing Deng Xiaoping, appears to be contributing to a less receptive atmosphere. Ms Anne Stevenson-Yang, chief

representative in Beijing of the US-China Business Council, says China is "in the middle of one of its periodic downturns" for investors. "China's investment policy has taken a conservative turn and is generally two years ago.

One move that has particularly unnerved foreign investors was the abrupt decision late last year to eliminate tax and duty exemptions on imports of capital equipment by foreign-invested enterprises from April 1. This will add as much as 40 per cent to the cost of new ven-

Investors complain that not only was there little opportunity to discuss the implications of the new rules with the Chinese but the transitional arrangements are meagre. For projects up to \$30m. exemptions on duty extend only to the end of this year, and on larger projects to the end of 1997.

"The measures themselves make it less attractive to invest in China, particularly in capital-intensive. high-technology projects," says the US-China Business Council. "But the secretive decision-making process has further created an atmosphere of volatility and confusion which confounds prudent business

Other barriers have been erected by a series of directives designed to exert more effective controls on foreign investment and channel it into priority areas such as high-tech industries, agriculture, transport and energy. In keeping with a general lack of transparency, many of these directives do not see the light of day - but they create additional invisible obstacles.

Such changes reflect a more nationalistic mood in China, accompanied by a degree of smugness about Chinese success in attracting more than \$100bn in investment since 1978. China ranks second to the US as a global destination for foreign direct investment, and is currently absorbing about a third of all foreign investment to developing countries.

The country's aspiring leaders, who face a difficult 18 months before a critical policy-making 15th Communist Party Congress late next year, are under pressure from the party's conservatives who believe economic liberalisation has gone too far. They are also being hercely lobbied by the state sector unfair" competition from foreignfunded enterprises.

Policymakers are walking a fine line, therefore, between the need to maintain investment flows which

Despite the somewhat less encouraging business environment, recent surveys indicate no slackening in

Commitments to invest in the first quarter of this

year surged to \$27.4bn, (£18bn) up \$6.8 per cent on last

scrambling to win project approvals before the April 1 deadline for removal of tax benefits for capital

The amount of foreign direct investment that had

Commitments to invest stood at \$394.5bn at the end of

Council, released last year, found that 76 per cent were

actually been made reached \$135.2bn in 1995 and is

expected to exceed \$150bn by the end of this year.

last year, with 258,788 contracts.

A survey of members of the US-China Business

equipment imports, but the fact so much investment

was in the pipeline indicates a continuing strong

year. This may have been because investors were

interest in China among foreign investors.

are sputring job-creating economic growth, and a fairly widespread belief among Chinese that foreign investors have been given an easy ride and should be brought to heel. At the recent annual session of

the National People's Congress, China's parliament, delegates were critical of privileges, including generous tax holidays, offered to foreign investors in the five Special Economic Zones. These zones are located in the coastal regions and the principal complaint was that the tax breaks deflected investment from other needy areas inland.

he zones accounted for 20 per cent of China's exports in 1995. And Chinese leaders, including Mr Li Peng, the prime minister, have sought to reassure investors that the tax privileges will be maintained for now. But he also indicated such benefits would not be continued beyond what he described as an "experimental

Such vague undertakings are a symptom of an uncertain regulatory eign investors - particularly the Japanese. Mr Tomozo Morino, chief representative in Beijing of the semi-official Japan External Trade Organisation (Jetro), says sudden

No loss of foreign interest

changes in the law and a lack of land. But he also noted that larger transparency in their application are a major worry for Japanese companies. He predicts there will be a slowdown in Japanese investment

"Almost every day they announce new laws," he says. "But very often we have trouble interpreting them." China compares unfavourably, Mr Morino says, with Indonesia and the Philippines, which are reducing red tape and adopting flexible policies. However, overseas Chinese investors, including those in Hong Kong,

exhibit little sign of slackening their commitment to China. According to a survey by Crédit Lyonnais Securities, Hong Kong's 62 largest companies had projects planned in China worth \$20bn over the next Hong Kong investors have been

generally less concerned about shifts in China's political and regulatory environment than their counterparts in Japan and the west. Mr Victor Chu, chairman of First Eastern Investment Group, a Hong

Kong-based fund management group with about \$200m invested in structure projects, says the climate for smaller investments has, if anything, become easier in the past six months, partly because of the easing of a credit squeeze on the main-

either profitable or meeting expectations - "despite

numerous operational difficulties".

The majority of US companies believed they were on

track to achieve long-term returns on their investments in China of between 16 per cent and 20 per

cent. Their main concerns were over costs, bad debts,

bureaucratic interference, transport problems, the low quality of local inputs and raw materials, and

difficulties of access to your loans for working capital.

Other surveys support these findings. A poll last

year of 47 mainly western multinationals by the Economist Intelligence Unit and Andersen Consulting

found 60 per cent of ventures in China were operating

profitably. Most had become profitable in two years.

But the KIU-Andersen survey also reported that

tighter margins in China than in other developing countries – confirming anecdotal evidence that China

is a tough market and getting tougher.

projects over \$30m requiring central government, and State Planning Commission approval in particular, are becoming more difficult.

"In these cases, there tends to be a lot of argument about the percentage of domestic sales and also argument about imported equipment," he says. "The rule of thumb appears to be that the closer you get to the centre, the trickier it becomes."

The foreign investment community believes that China would be wrong to assume foreign investment will continue to flow in despite complaints about a more difficult environment. The country needs large amounts of foreign capital if it is to continue to achieve its annual growth targets of 8-9 per cent for the next decade - not to mention its requirement for foreign funds to service its growing foreign debt. The investment community warns that irrespective of the appeal of China's vast market, investment is fickle and cannot be taken for granted.

Ms Stevenson-Yang says that recent negative publicity about the ieni environmeni by difficulties in Sino-US relations over such issues as Taiwan, would at least "dampen perceptions of China as a boom market". Recent policies, such as the unadventurous Ninth Five-Year Plan (1996-2000). reinforced the impression that China is in for a period of consolida-tion - and unlikely to make life easier for foreign investors.

based representative of Goodman Phillips and Vineberg, a Canadian law firm, says that an uneasy political climate is also taking its toll. "In a transition period like this," he says, "you don't get points for making concessions to foreigners, whether you are a national leader

Mr Andrew Halper, a Beijing-

or a local manager." Mr Halper believes the present phase with its overlay of increased nationalism will continue. "This theme," he says, "has deep roots in China. This is not a passing phe-

nomenon. It's a recurrent theme which means it will be a tough place in which to invest for quite

OBSERVER.

Very nice while it lasted

■ It was never exactly a marriage forged in heaven, but the final divorce in South Africa between the National Party and the ANC almost certainly brings down the final curtain on the remarkable cabinet career of Pik Botha, one of the most country's most redoubtable politicians.

Under the new government, Botha served as minister of mineral and energy affairs. Before that, though, he performed the thankless task of serving as foreign minister under successive apartheid governments for 17 ears. Despite his apartheid past. Botha was popular across the racial divide; when he said he was an African, it was possible to

believe him. He has some rare qualities for a Nat, not least a sense of humour and an ability to cut deals. A relative liberal within the National Party, Botha once suffered a public mauling from former president PW Botha for having the temerity to suggest South Africa might one day have a black president. Pik probably never thought he'd live to see the day.

Second splash Hold the front page. Warren Buffett, who has already managed to get himself into the news rather a lot this week, has rejoined the board of the Washington Post.

commitment to China.

Buffett fans will recall how the great man's association with that iournal began as a small boy on his paper-round. Years later he bought shares in the company, and enjoyed a warm relationship with Katharine Graham, who took control of the Post when her husband died in 1963.

He went onto the board first time around in 1974, after accumulating a 10 per cent stake, but was forced to step down again after Berkshire Hathaway, his holding company, bought a stake in Capital Cities in 1986. The US regulators would not let him sit on the boards of both media groups. With the recent takeover of

CapCities by Walt Disney, in part engineered by Buffett, he is at last free to rejoin his beloved Post.

Store of value It seems that the havor wreaked

by last Sunday's fire at the Paris headquarters of Credit Lyonnais was not complete Remarkably, 11 valuable paintings adorning the bank's salle

de réception - including a Picasso, a Utrillo and a Dufy - emerged unscathed. A relief to all concerned, one imagines, seeing that they were on loan from the Georges Pompidou Centre, in exchange, somewhat oddly, for the use of premises owned by the bank

Whatever quirk of artifice saved the art, Henri Germain, the bank's founder, would have approved. For a good deal of thought went into the building's design when it was erected in 1878 – principally in the direction of making it readily

convertible into a department

Germain, the story goes, wanted to be able to turn the premises into a shop if the bank proved not to be a success. One wonders whether any thought was given to making the conversion after the bank reported a loss of FFr12.1bn in

Shaken about ■ A long-running turf battle between Manila's securities and exchange commission and the Philippine stock exchange has now

reached absurd proportions.

After infuriating the PSE by overruling its decision to ban a controversial resort developer -Puerto Azul Land – from listing on the market earlier this year, the SEC is busily rubbing salt in the

The PSE, which opted on Monday to ignore the SEC's decision, was yesterday surprised to read newspaper headlines stating that the SEC had ogain overturned the PSE's ruling. Not only that, but it had failed to

inform them. Eduardo de los Angeles, the

PSE's normally unflappable chairman, was seen pacing up and down his office yesterday, after being told to send a courier to pick up the SEC's ruling. The SEC had, among others, faxed the results to Reuters and other news agencies the previous day.
Poor old Puerto Azul is left

haplessly watching this farce from the sidelines.

Pigged out

Pity the valiant US diplomats in Kampala. As they negotiate the pothole-ridden roads of the Ugandan capital, they travel by a very untrendy, British-made vehicle called the Reliant Robin, which not even its fans can term beautiful. It's popularly known by British policemen as the 'plastic pig' - a reflection of its fibre-glass bodywork and a tendency to flip over in high winds.

In fact, the US embassy has a fleet of 10 of the three-wheeler vehicles which are powered by an 850cc engine, able to accelerate from 0-60mph in, oh, well under a day. Embassy staff insist the Robins are quick and easy to park.

But Observer understands the real reason why the Kampala-based Americans have their Robins dates back to a demand for more road vehicles from the State Department. Apparently, the request was for some vehicles that were not four-wheel drive. So that's what they got.

Financial Times

50 years ago Coal strike in the U.S.

Washington, 9th May: President Truman disclosed at his Press Conference to-day that he was contemplating seizing the U.S. railways which are at present being progressively crippled by the present six-week-old coal strike. He refused to disclose what, if any, steps were under consideration to deal with the coal strike direct, but claimed the walk-out was gradually and slowly becoming a "strike against the Government," which, on earlier occasions, he has held to be illegal. The strike was "just as serious as it ever was and threatening to become worse." said President Truman.

German control office The following words were uttered by the Chancellor of the Exchequer in his Budget speech in April. "We are spending this year no less than £80,000,000 under the estimate for the Control Office. This is a large figure. So far we are getting little in return, and that is a matter which may have to be probed in this House one of these days." In to-day's debate on the Control Office for Germany and Austria the House will proceed to this probing." In effect this burden of £80 millions is tantamount to this country paying reparations to Germany.

FINANCIAL TIMES

Friday May 10 1996

LEGAL DEFINITIONS

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Rowe & Maw LAWYERS FOR BUSINESS

Washington demands tougher action on piracy

China steps up warning to US over trade threat

By Tony Walker in Belling and Jurek Martin in Washington

China yesterday stepped up its threat of vigorous retaliation if the US proceeds with sanctions on imports of \$3bn worth of Chi-

It signals a further escalation of the long-running dispute over intellectual property rights. Ms Zhang Yuejiao, a director-

meral of the ministry of foreign trade and economic co-operation, said if the US imposed any sanctions on imports from China, the ministry would immediately counter with penalties on US goods of even greater value.

The US said on Wednesday it would give China until May 15 to step up enforcement of a February 1995 agreement aimed at stamping out widespread piracy of US information and education products such as compact discs and computer software.

"If China does not live up to the agreements it has made with the US, we will impose stiff sanc-tions," Mr Mike McCurry, the

Chip prices

fall sharply

prices each month, said Mr Giu-

dici. This is in sharp contrast to the situation a year ago, when D-Rams were in short supply and

PC manufacturers were eager to

purchase chips at almost any

Several developments have led to a glut in D-Rams. Prices began to fall late last year when PC sales in the US did not live up to

The PC industry is the largest

consumer of D-Rams, which are

also used in larger computers.

This coincided with increased

production of D-Rams as several

manufacturers shifted to new

technology to achieve higher

yields, and new production lines in Taiwan and Japan came into

Nokia drop

Mr Ollila said. But he said he

expected the overall rapid growth

in mobile telephone demand to

continue and predicted a turn-

Nokia is also benefiting from

improved performance from its general telecommunications divi-

sion, which makes hardware for

both mobile and fixed networks.

Sales for the division rose 39 per

cent from FM2hn to FM2.8bn and Nokia said profits were also up.

Group sales were down from

FM8.5bn to FM7.9bn, but the fall

was largely due to currency

effects and divestments. Nokia is pulling out of its loss-making television production operations.

around in the second half.

Continued from Page 1

US officials accuse China of lax enforcement and say counterfeiting is now worse than it was a year ago. US industries estimate losses due to piracy in the past vear at \$2.3hn.

Beijing insists it has lived up to past undertakings. It recently announced a crackdown on pirate CD production lines and says customs officials have stiff-

GM shurps off fears "Page 6 Less of an easy ride …Page 17 ...Page 17

ened controls on exports of pirate products. But US officials say China bas not done enough and this is the message Mr Lee Sands, assistant US trade representative, will deliver in Belling in the next comple of days.

This year's copyright dispute appears to be following a similar pattern to last year's row which resulted in an "eleventh hour" compromise after the US threatened sanctions. A US official in

Beijing said like last year the lat est argument might "get nasty before it gets better", adding: "We are not looking to do a trade war, we don't want sanctions. But this is a festering sore that's got to be dealt with."

The US takes about a third of all Chinese exports and the trade balance in 1995 was \$34bn in China's favour.

Last year, after the US gave China 30 days to improve enforcement, the deadline was met with hours to spare. But this year the atmosphere around negotiations is clouded by strained Sino-US relations over Taiwan, human rights and arms

The US administration is also grappling with a difficult decision over the annual renewal of China's most favoured nation trading status against significant congressional opposition. That decision must be made by June 4. Senator Bob Dole, the majority leader, said yesterday the US should renew most favoured

nation trading status with China

Arrest warrant is issued for Dassault chief in bribes probe

and Bruce Clark in Brussels

A Belgian magistrate has issued an international arrest warrant for Mr Serge Dassault, president of the Dassault aviation group, after he refused to go to Belgium to face questioning over the alleged payment of bribes to win a defence contract.

The warrant follows a lengthy probe by Belgian investigators into payments by both Dassault and the Italian helicopter company Agusta to the Belgian Socialist party. Mr Dassault, who at 71 is one

of the most colourful figures in French industry, has won prominence recently because of his strong opposition to President Jacques Chirac's plan to merge

Aérospatiale group.

The latest legal move effectively confines the aircraft group chief to France, at a time when he is fighting for maximum orders in the military procure-ment plan which the Paris govnt will unveil on Monday.

The Belgian investigation was npted by the mysterious murder of Mr Andre Cools, a Socialist party politician who was shot dead in front of his mistress in July 1991. The subsequent scandal has led to the downfall of four senior Belgian politicians, including Mr Willy Claes, the former

Nato secretary-general, and the suicide of an air force general. Mr Dassault said yesterday he

was willing to be interrogated further by a Belgian magistrate in France, as had happened last autumn, but he would not go to Belgium for any questioning "because of recent precedents against French industrialists".

This was a reference to an incident in May 1994 when Mr Didier Pineau-Valencienne, head of the electrical group Schneider, went to Brussels to co-operate with a financial probe into Belgian subsidiaries of his company. He was charged with fraud and held in a Brussels jail for two weeks.

When, after his release and return to France. Mr Pineau-Valencienne refused to return to the Belgian capital, Belgium put an international arrest warrant on him that was only lifted in June 1995. France did not concase covered by its extradition treaty with Belgium, and seems likely to take the same view with

A Swiss court last month authorised Belgian investigators to examine bank accounts through which they believe up BFr60m (\$1.9m) was paid in bribes to senior figures in the

Belgian Socialist party in 1989. The investigators are probing a contract won by Dassault Electronique in 1989 to upgrade the avionics on Belgium's US-made F-16 fighters, as well the pur-chase of 46 belicopters from Agusta the previous year.

Warrant may ease merger, Page 2

FT WEATHER GUIDE

Bulgaria lifts rate to 108% to stem fall of lev

By Kevin Done, East Europe Correspondent, in London

The Bulgarian National Bank yesterday raised its central inter-est rate to a record 108 per cent from 67 per cent in a bid to halt the steep decline in the value of the lev, the Bulgarian currency. Bulgaria is facing the most acute financial problems of any of the former communist countries in central Europe and has lagged far behind the pace of reform set in other parts of the

The currency crisis has been triggered by the shrinking of the country's foreign exchange reserves with further heavy foreign debt repayments due in the next two months.

Amid the mounting crisis in the foreign exchange market, offi-cials from the International Monetary Fund have returned to Sofia, the Bulgarian capital, this week to resume negotiations on a new standby arrangement. Earlier talks foundered on the

government's inability to push through urgently needed struc-

Queues formed at some banks yesterday as Bulgarians sought to withdraw their savings, but many banks were unable to meet demand according to a Reuter report. Some shopkeepers were reported to be refusing to take the currency as payment for goods other than food.

Interest rates have tripled this year from 34 per cent at the beginning of January and were last raised only two weeks ago from 49 to 67 per cent in an effort to shore up the currency.

The crisis of confidence in the lev has driven the value of the currency down from 70.70 to the dollar at the beginning of January to a central bank fixing rate yesterday of 122.56 compared with 112.84 on Wednesday.

In street trading, the lev has fallen further to between 140 and 160 to the dollar, although there were signs last night that the emergency rise in interest rates had strengthened the currency. at least temporarily.

In an effort to support the lev the central bank has already sold reserves in the first four months of this year, with reserves falling to \$667m at the end of April from \$1.2bn at the end of last year. Last night, the government was seeking urgently to complete a list of state-owned enterprises to be closed or restructured, as part of a programme to be pres-

ented to IMF officials today. The Socialist government led by Mr Zhan Videnov has been badly split over what measures to adopt to alleviate the growing financial crisis.

Western officials remain sceptical about the country's real commitment to restructuring and reforms leading to an open market economy.

THE LEX COLUMN

Nokia takes a knock

The problem with attracting the label of growth stock is that it builds expectations. Finland's Nokia, one of Europe's high technology darlings, has discovered the perils of not delivering. Its shares have halved since September, but profits fell more than that in the first quarter of this year. And investors should not be lured back by evidence of re-accelerating sales growth and the management's promises that it has learnt from recent

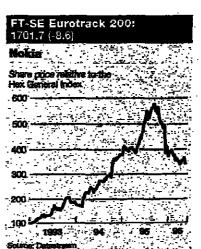
logistical errors.

True, management restructuring is already bringing costs under control.

Nonetheless, it is too early to suggest that its stock clear-out is complete -inventory has fallen just 3 per cent since December. And while the management argues that the development of digital cellular networks in the US could berald another rapid growth phase, competition is also accelerat-ing. Lucent, Alcatel, Philips and a host of others are launching mobile handsets, so margins can go in only one direction. At least Nokla, Ericsson and Motorola retain a stranglehold on cellular network equipment, such as base stations - hence Nokia's 25 per cent profit margins from this business. But nany competitors in handsets are also looking to buy a share of the juicier infrastructure market; and these margins have much further to fall. This bodes ill for Nokia, but worse for Sweden's Ericsson. It has a much larger infrastructure business. And, given a strengthening Swedish krona and a prospective price-earnings ratio of over 20, there is significant scope for disappointment. But Nokia, even on 15 times earnings, also looks expensive.

Yesterday's first quarter results from Shell may have been impressive. but then so were British Petroleum's and the US majors': the market's enthusiastic reaction owes more to relief that the previous quarter's grim figures did not start a trend. In fact, yesterday's results are largely the product of a cold winter, bringing high oil prices and gas consumption. But there is good news on costs as well, especially from parts of the business forced to change after crises, such as Shell's US business and Montell, its chemicals joint venture with Montedi-

It is possible to read the result as evidence of a more general shift in Shell's traditionally aloof culture: the scope for boosting returns, if the company really put its mind to it, should be enormous. But while there are certainly some straws in the wind, they are so far pretty slight. Shell has not,



for instance, grasped the nettle of European refining as others have done; nor has it shown much enthusiasm for sorting out its absurdly inefficient balance sheet. Until issues like these are tackled, the evidence for a tectonic shift remains flimsy. Certainly, the shares no longer look overpriced by comparison with BP - but shaking up the giant will take more than a few tremors.

UK digital TV

Amid the waffle about its digital vision, the BBC yesterday made an important admission: it wants to deliver digital television channels not merely by terrestrial means but by satellite too. Hedging its bets is sensi-ble given that digital terrestrial broad-casting, which can deliver only 20 channels compared with satellite's 500, looks a dead duck. Given that viewers will need decoder boxes costing sev-eral hundred pounds each whichever system is used, it is hard to see why they would freely choose the terres-While BSkyB, which dominates sat-

ellite TV, will have to persuade viewers to buy its decoder boxes, subsidies should ensure they are not too pricey. Moreover, BSkyB has a particular twist on this: it does not plan to finance the subsidies itself but hopes that partners wishing to provide interactive services like home hanking through its boxes will put up the cash. The risk in the BBC's move, of

course, is that it is putting itself at the mercy of BSkyB. Though BSkyB will want to include the BBC's channels as part of the digital service it plans to launch next autumn, it will largely be in a position to dictate the terms. All this leaves BSkyB sitting pretty. If digital services take off, it will rake

per-view sport and films. If not, its partners will be left with the bill for the boxes. The only clouds on the horizon are regulatory: the Office of Fair Trading is investigating BSkyB's cur-rent monopoly; and Oftel is itching to take over the case when BSkyB switches to digital. Despite its Houdini-style performances in the past, it is hard to believe BSkyB will escape scot-free this time.

Jet engines

The agreement between General Electric and Pratt & Whitney of the US to develop jointly an engine for Boeing's "super jumbo" aircraft may look like a threat to Rolls-Royce, but in reality it is a defensive move. Whether by luck or judgment, the requirements for the new "stretched" Boeing 747 aircraft fall neatly within the scope of Rolls-Royce's existing Trent engine range. But GE and P&W's existing models are either 100 heavy or too small. They faced the prospect of watching Rolls become a monopoly supplier in a potentially lucrative sector. And going it alone from scratch would have meant incurring much heavier development costs than Rolls.

So the joint venture is a smart move. But Rolls is still ahead of the game. For one thing, its Trent engines will already have a proven track record by the time the new Boeing aircraft are ready for take-off. For another, of the three airlines keen to fly super-jumbos, British Airways has had a bad experience with GE engines and Singapore Airlines has recently given an order to Rolls. Of course, the move is certainly not good news for Rolls, but it could never really really hoped to have the field to itself.

South Africa

On the face of it, the National party's withdrawal from South Africa's government of national unity looks like another blow for foreign investors. Certainly it provides another bit of ammunition for those talking down the rand. But investors should hold their nerve. For one thing, it is far from clear that the National party will have less influence in opposition that it did in government. For another, questionable how much of a force for macroeconomic stability it was anyway: its record in government was car-tainly pretty lamentable. Most impor-tantly, the rand's sharp fall has taken it well below levels justified by economic fundamentals. Sooner or later, a sense of proportion will return.

Cracy E

Europe today

Areas near the Atlantic will remain asonably cold but will be dry with widespread sunshine. The North Sea region will become cloudy, and southern Scandinavia will be windy with heavy rain. Britain and France will be chilly with blustery northerly winds. South-France and Spain will have scattered thundery showers and temperatures of about 15C. A wide area, from the Baltic states towards the Alps and northern Balkans, will be mild but unsettled. The Ukraine and Russia will be sunny and hot, and the southern Balkans will be sultry and mainly hot and dry. The western

Five-day forecast

Easterly winds will carry warm air across the North Sea region and southern Scandinavia, and some parts of Germany and the Low Countries will have temperatures of more than 25C. Southwindy on Sunday, while eastern Europe remains warm with showers.



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